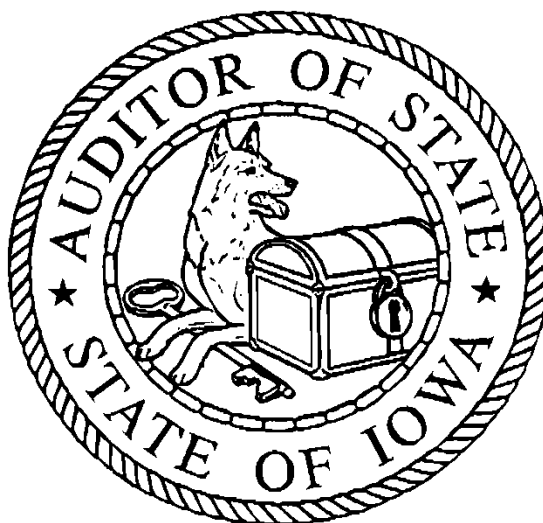


CITY AUDIT PROGRAM GUIDE

For the year ended June 30, 2016



MARY MOSIMAN, CPA
AUDITOR OF STATE

CITY AUDIT PROGRAM GUIDE (Cash Basis)**CITY** City of Sample**June 30, 2016****FILE INDEX**

<u>N/A</u>	<u>Incl.</u>	
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_____	_____	GF-2 Planning Conferences
_____	_____	GF-3 Internal Control
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_____	_____	GF-5 Client's Year End Financial Statements/Reports
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_____	_____	GF-7 Analytical Procedures
_____	_____	GF-8 Time Budget and Progress Reports
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_____	_____	GF-11 Conferences (including exit)
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_____	_____	GF-14 Representation Letter/Related Parties Documentation
_____	_____	GF-15 Attorney's Letter
_____	_____	GF-16 Audit Difference Evaluation
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_____	_____	GF-18 Confirmation Control
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_____	_____	GF-20 Pending Matters
_____	_____	GF-21 Review Notes – deleted by _____ Date _____
_____	_____	GF-22 Incharge Review Questionnaire
_____	_____	GF-23 Manager Review Questionnaire
_____	_____	GF-24 Independent Reviewer Questionnaire
_____	_____	GF-25 Prior Year Audit Report/Status of Prior Year Comments

CITY AUDIT PROGRAM GUIDE (Cash Basis)

CITY City of Sample

June 30, 2016

FILE INDEX

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CITY City of Sample

June 30, 2016

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives:					
A. Plan and document planning of audit.					
B. Consider Single Audit implications.					
C. Determine preliminary planning materiality.					
D. Consider the effect on financial statements of non-compliance with laws and regulations.					
E. Perform risk assessment procedures and assess risk of material misstatement of the financial statements.					
F. Determine audit approach.					
Audit Procedures:					
A. City's population _____ Date of Incorporation _____					
B. Job number _____					
C. Assigned staff: _____ Independent? _____ Manager _____ Incharge _____ Staff _____ _____ _____ _____	A				
D. Timing: <div style="display: flex; justify-content: space-around;"><div></div><div><u>Planned Date</u></div><div><u>Actual Date</u></div></div> Begin fieldwork _____ Complete fieldwork _____ To Manager _____	A				
E. Document contact information: Mayor Name : _____ Phone _____ E-mail _____ Clerk Name: _____ Phone _____ E-mail _____					
F. Obtain and file the engagement letter. (AU-C 210.09)	A				

CITY City of Sample

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>G. If prior year audit was performed by another firm (AU-C 510):</p> <ol style="list-style-type: none"> Obtain and review a copy of the Independent Auditor's Reports on the financial statements, compliance and internal control. Obtain copies of appropriate workpapers. Make the appropriate inquiries of the predecessor auditor. Review and document, as necessary, evidence of opening balances. Firm: _____ Contact Person: _____ Telephone: _____ 	A				
<p>H. Review prior year audit report and working papers. If applicable:</p> <ol style="list-style-type: none"> Note any departures from an unmodified opinion. Note any specific areas of comment in the prior audit report. Determine and document current status. Note any areas of special emphasis recommended for this year's audit by the prior auditor. Note items for next year's audit in prior year's workpapers. Document in current year workpapers and address. Note any non-report comments that may affect this year's audit and document the status of these. 	A,B,E				
<p>I. Inquire as to the existence of findings and recommendations from any previous audits, attestation engagements, performance audits, or other studies (for example – Federal audits, program audits, IT audits, reviews by state agencies, etc.) that have been performed and determine the current status of any findings or recommendations identified that may directly affect the risk assessment and audit procedures in planning the current audit. (GASB Chapter 4.05 and AU-C 935.16)</p>					
<p>J. Review permanent file and determine status of the following and update as necessary:</p> <ol style="list-style-type: none"> Identification of financial reporting entity and compliance with GASB 14, as amended by GASB 39 and 61. 	A,B,F				

CITY City of Sample

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> a. Identify the primary government. b. Identify and document consideration of component units. c. For any entity which is not incorporated, determine if the entity is an unincorporated nonprofit association pursuant to Chapter 501B of the Code of Iowa and report accordingly. d. Identify and document relationships with organizations other than component units. <ul style="list-style-type: none"> 2. Nature of client's business and legal environment. 3. Applicable state and federal regulations. 4. Administrative and accounting personnel. 5. As applicable, federal program personnel. 6. Organization chart. 7. Chart of accounts and accounting manual. 8. Use of outside service organizations. 9. Use(s) of IS systems. 10. Methods used to process significant accounting information. 11. Long-term leases, contracts and commitments. 12. List of officials and terms. <p>K. Conduct entrance conference. Discuss and document pertinent information.</p> <p>L. Request the City assemble all necessary information, records and documents.</p> <p>M. Determine if there are any audit issuance deadlines included in the continuing disclosures as required under SEC Rule 15c2-12. If applicable, review the debt filings on the Electronic Municipal Market Access (EMMA) System (www.emma.msrb.org).</p> <p>N. Determine if the engagement is an audit of group financial statements. If applicable, follow the guidance in AU-C 600, including, but not limited to:</p> <ul style="list-style-type: none"> 1. Identifying components. 2. Developing an overall audit strategy and audit plan for the group audit. 					
	A,B				
	A,B,F				
	A,C,E,F				

CITY City of Sample

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Gaining an understanding of the group, its components and their environments, including understanding: <ul style="list-style-type: none"> a. Group-wide controls. b. The consolidation process. 4. Determining if components are considered significant, either individually financially significant or likely to include significant risks to the group financial statements. 5. Gaining an understanding of component auditors. 6. Deciding if the audit report will refer to the component auditor's work. 7. Determining materiality levels for the group financial statements as a whole and component materiality levels. 8. Applying further audit procedures to the consolidation process. 9. Subsequent events occurring between the dates of the financial information of the components and the date of the auditor's report on the group financial statements. 10. Communicating the group auditor requirements to the component auditor. 11. Evaluating the sufficiency and appropriateness of audit evidence obtained. 12. Communicating with group management and those charged with governance of the group. O. Determine the extent of involvement, if any, of consultants, specialists or internal auditors. Where applicable, follow the appropriate guidance: <ul style="list-style-type: none"> 1. AU-C 610 "Auditor's Consideration of the Internal Audit Function". 2. Auditor's Specialist (AU-C 300.12, AU-C 620 and <u>Government Auditing Standards</u>, Chapters 6.42-.44) - Consider whether specialized skills, including professionals possessing information technology (IT) skills, are needed in performing the audit and seek such assistance if considered necessary. 3. Management's Specialist (AU-C 500.08) - Include appropriate statement in the management representation letter. Examples of the use of a specialist include: 	A				

CITY City of Sample

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> a. An engineer or environmental consultant used to estimate the remaining useful life or estimated closure and postclosure care costs of a municipal solid waste landfill (MSWLF). b. An actuary used to determine incurred but not reported (IBNR) claims for a self-insurance fund. c. An actuary used to determine amounts for other postemployment benefits (OPEB). 					
P. Inquire about related party transactions.	A,F				
Q. Minutes:	A,E,F				
<ul style="list-style-type: none"> 1. Review minutes through the most recent meeting and document significant Council action, including subsequent events. 2. Scan minutes for significant action of other outside Boards, including, but not limited to, the Library Board and Park Board. 					
R. Obtain copy of the City's June 30 financial statement(s)/ reports.	A				
S. Document compliance with <u>Government Auditing Standards</u> conceptual framework for nonaudit services, if any.					
T. Determine if the City was a party to a government combination (merger or acquisition) or had a disposal of operations. If applicable, determine activity is properly disclosed and reported in accordance with GASB 69.					
U. Discuss with the engagement team the significance of threats to management participation or self-review and emphasize the risks associated with those threats.					
V. Determine if the City is a fiscal agent for any separate Boards or Chapter 28E organizations. Determine if they are properly disclosed and reported. Perform the necessary GASB 14, as amended by GASB 39 and 61, reviews.					
W. Determine and document judgments about materiality levels by opinion units. (AAG-SLV 4.23) If done at interim, update materiality levels as of the statement of net position date.	B,C				
<ul style="list-style-type: none"> 1. Opinion units in the City's basic financial statements are (as applicable): <ul style="list-style-type: none"> a. Each major fund. b. Governmental and business type activities. 					

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> c. Aggregate remaining fund information. d. Discretely presented component units. e. Transaction class, account balance or disclosure, if necessary. (AU-C 320.14) 					
2. Materiality level for each major federal program. If done at interim, update materiality levels as of the statement of net position date.					
X. Apply preliminary analytical procedures:	A,E,F				
1. Compare current year information to information with a plausible relationship.					
2. Identify expectations and document basis of expectations.					
3. Identify unusual or unexpected balances or relationships.					
4. Determine and document if matters identified indicate a higher risk of material misstatement. If a higher risk is indicated, adjust audit approach accordingly.					
Y. Determine completeness and accuracy of books and records by footing, cross-footing and tracing postings from journals as necessary. Include all subsidiary detail systems.					
Z. Prepare all necessary confirmation requests for mailing.					
AA. Send attorney letters to attorneys and other lawyers consulted on significant matters during the period. Send the letter early during fieldwork with a requested response date one week prior to estimated completion of fieldwork.					
BB. Determine and document an audit strategy based on determination of audit risk (AU-C 240, AU-C 315.26-.27, AU-C 320 and AU-C 935.20).	A,B,E,F				
CC. Internal Control	A,B,D,E,F				
1. For the City and any separately maintained record systems, obtain and document an understanding of the internal controls, including those relating to overall compliance with laws and regulations.					
a. Determine and document whether these internal controls have been implemented.					

CITY City of Sample

June 30, 2016

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> b. Assess control risk for financial statement assertions, including those relating to overall compliance with laws and regulations that have a direct and material effect on the financial statements: <ul style="list-style-type: none"> 1) Identify those financial statement assertions for which tests of controls need to be performed and design the appropriate tests of controls. 2) Document conclusions in working papers concerning the assessed level of control risk for the assertions. c. If the City uses a service organization to process transactions for the City (i.e. payroll processing, utility billing and/or collection, bank trust department which invests and holds assets for employee benefit plans, organizations which develop, provide and maintain software for user organizations, etc.), follow AU-C 402 to consider and document the effect the service organization has on the internal controls of the City (user organization), related control risk assessments and the availability of evidence to perform substantive procedures. d. Obtain and document an understanding of the City's credit card collections and compliance with PCI (Payment Card Industry) Data Security Standards. <ul style="list-style-type: none"> 1) Determine credit card security policies have been documented and established. 2) Determine self-assessment measures have been completed. e. Obtain and document an understanding of the internal audit function to determine whether the internal audit function is likely to be relevant to the audit. (AU-C 315.24) 					
2. Major federal programs: <ul style="list-style-type: none"> a. Obtain and document an understanding of the internal controls relevant to the compliance requirements applicable to all major federal programs. b. Determine and document whether these controls have been implemented. 					

CITY City of Sample

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> c. Assess control risk. (The auditor should plan for a low level of control risk). d. Perform tests of controls over each major program (regardless of whether or not choosing to obtain evidence to support an assessment of control risk below maximum). e. Include lack of or ineffective control procedures as significant deficiencies or material weaknesses in the report on the internal control. <p>3. If steps CC(1) and CC(2) are done at interim, determine if tests of controls and assessments of control risk can be extended to the statement of net position date:</p> <ul style="list-style-type: none"> a. Apply the following procedures for internal control work done: <ul style="list-style-type: none"> 1) Ask whether there have been any changes to internal controls, including federal controls, since interim date. Also consider whether any changes are apparent from substantive (or other) tests done after interim date. 2) Consider the significance of any changes. 3) Obtain audit evidence about the nature and extent of any changes. b. If considered necessary based on the above procedures, perform additional tests of controls and update risk assessments. <p>DD. Determine the major funds for the governmental and business type funds. Funds are considered major funds if they meet both criteria for the same element. (GASB 34 par.76)</p> <p>(Cash Basis City)</p> <ul style="list-style-type: none"> 1. Total assets (cash and investments), receipts or disbursements of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type. 2. Total assets (cash and investments), receipts or disbursements of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined. 					

CITY City of Sample

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AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>3. Review with management whether additional discretionary funds should be included as major funds.</p> <p>(GAAP Basis City)</p> <p>1. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.</p> <p>2. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.</p> <p>3. Review with management whether additional discretionary funds should be included as major funds.</p> <p>EE. Document the auditor's consideration of the risk of material misstatement due to abuse. If indications of abuse exist, plan audit procedures to determine whether abuse has occurred and the effect on the financial statements. (GAS Chapter 6.34)</p> <p>FF. Consideration of compliance with laws and regulations (GAS Chapter 6.28 AU-C 250.12, AU-C 250.14)</p> <p>1. Identify and obtain an understanding of the legal and regulatory framework applicable to the City and how the City is complying with the framework.</p> <p>2. Identify possible instances of noncompliance with laws and regulations that may have a material effect on the financial statements:</p> <p>a. Inquire of management and, when appropriate, those charged with governance, about whether the City is in compliance with such laws and regulations.</p> <p>b. Inspect correspondence, if any, with relevant licensing or regulatory authorities.</p> <p>GG. Modify/expand on the audit program guide, as necessary. The program should be responsive to the critical audit areas and other areas of concern noted in audit planning, the analytical procedures performed on the financial statements and the understanding obtained of the City's internal controls.</p>	<p>E</p> <p>D</p> <p>A,F</p>				

June 30, 2016

AUDIT PLANNING

[illegible]

CITY **City of Sample**

June 30, 2016

AUDIT STRATEGY

The attached audit strategy is to be used to document the following:

- Auditor's understanding of certain preliminary information regarding the City and its environment for planning the audit.
- Auditor's fraud risk assessment, including identification of fraud risk factors.
- Identification of material account balances and classes of transactions.
- Determination of the risk of material misstatement at the financial statement and relevant assertion levels.
- Auditor's response to the risks identified.
- Identification of the federal programs.
- Determination of major federal programs and the applicable compliance requirements.
- Applicability of account balances and classes of transactions to federal programs.

CITY City of Sample

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AUDIT STRATEGY

PROCEDURE	YES	NO	REMARKS
1. Did the prior year report on the financial statements include departures from an unmodified opinion?			
2. Did the prior year report identify any significant deficiencies or material weaknesses?			
3. Have various account balances or transactions required significant adjustments in prior audits?			
4. Was the approach in the prior year primarily substantive?			
5. Were any significant errors or instances of fraud noted in the prior audit?			
6. Is there any indication there could be substantial doubt about the City's ability to continue as a going concern?			
7. Does the audit require special expertise?			
8. Are specialized skills needed to determine the effect of IT on the audit, to understand the IT controls or to design tests of controls?			
9. Are there any new accounting and/or auditing pronouncements that may affect the current audit?			
10. Are there any specialized accounting practices or principles applicable to the City? (i.e. pensions)			
11. Have there been any significant changes in accounting practices for the City?			
12. Are there any economic conditions or recent developments that affected the City's operations? (inflation, interest rates, technological changes)			
13. Are there any special regulatory or reporting requirements that apply? (Single Audit)			
14. Is the City economically dependent on a major industry or company such that a change in the industry or company would adversely affect the City?			
15. Has there been a change in state or federal funding that would significantly impact the operations of the City?			
16. Is any aspect of the City profit motivated?			
17. Have there been any significant changes in the function or responsibilities of the City?			
18. Do the financial statements require use of significant accounting estimates or fair value determinations?			
19. Does the City have multiple locations for significant operations?			

CITY City of Sample

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AUDIT STRATEGY

PROCEDURES	DONE BY	REMARKS
<p>20. Complete the fraud risk assessment form.</p> <p>21. Document the following on the audit strategy form.</p> <ul style="list-style-type: none"> a. Identify material account balances and classes of transactions. Consider preliminary planning materiality as well as qualitative matters such as volume of transactions, susceptibility of assets to theft, etc. b. Assess the inherent risk by assertion for each of the material account balances and classes of transactions identified above and document the results. c. Assess control risk. d. Considering the understanding obtained of the City (including its environment and internal controls) and the determination of inherent and control risks, assess the risks of material misstatement (whether due to fraud or error) at financial statement and relevant assertion levels and assess detection risk. e. Document overall responses to the risks identified and the design of further audit procedures (audit approach). f. If Single Audit is applicable, identify the major federal programs using the Single Audit - Audit Strategy form. g. Identify the material account balances and classes of transactions applicable to major federal programs. h. Identify the compliance requirements applicable to each major federal program. i. Indicate whether test of controls are applicable or comment on whether controls do not exist or cannot be tested. <p>22. Identify other matters considered in determining the audit strategy.</p> <p>23. Identify any matters that could increase the risk of material misstatement of the financial statements due to errors, fraud and other non-compliance.</p>		

CITY City of Sample

June 30, 2016

AUDIT STRATEGY
RISK ASSESSMENT**I. BRAINSTORMING CONFERENCE**Date: _____ Date discussed
with manger: _____

Instructions: Members of the audit team are required to discuss the susceptibility of the City's financial statements to material misstatement due to fraud or error. The discussion should include an open exchange of ideas (brainstorming). The discussion should also emphasize the importance of exercising professional skepticism throughout the audit. The discussion may occur prior to, or in conjunction with, other audit planning procedures, but should take place each year. The manager should determine which matters are to be communicated to members of the audit team not involved in the discussion.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards.

Audit of financial statements Yes _____ No _____

Single Audit Yes _____ No _____

Participants:

Name	Title

- Describe how the discussion occurred (e.g. face-to-face meeting, conference call)

- Describe the matters discussed.

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- a. How and where the financial statements might be materially misstated due to fraud or error.
- b. How management could perpetrate and conceal fraudulent financial reporting.
- c. How the perpetrators could misappropriate government assets.
- d. Known external and internal factors affecting the City which might (1) create incentives/pressures to commit fraud, (2) provide the opportunity for fraud to take place and (3) reveal attitudes or rationalization about why fraud is acceptable behavior.
- e. Circumstances indicative of earnings management or manipulation of other financial measures which could lead to fraudulent financial reporting.
- f. The nature and risk of management override of controls.
- g. How best to respond to these fraud and other risks through the design of audit procedures.
- h. The importance of maintaining an appropriate attitude of professional skepticism throughout the audit when considering the risk of material misstatement due to fraud.
- i. Risks of material misstatements associated with related party relationships and transactions.

The discussion should focus on the financial statement areas vulnerable to fraud, presuming management, employees or volunteers were inclined to perpetrate fraud.

- No

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CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT**II. INQUIRIES ABOUT THE RISKS OF FRAUD**

Instructions: Auditors are required to make inquiries of **management** and others about the risks of fraud. Inquiries should be made each year in the planning stage of the audit. This form can be used to document the auditor's inquiries of management and other employees. Conducting one-on-one interviews with members of management and other employees is the most appropriate way of accomplishing the objectives of the inquiry process. Management interviewed should include, at a minimum, all those who sign the management representation letters.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards. Alternatively, the auditor may wish to complete separate forms.

(A separate form should be used for each person interviewed)

A. Management Personnel Interviewed:

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Inquire of the City's management about whether it is aware of (1) actual or suspected fraud or (2) any allegations of fraud (e.g., communications from employees or others). Describe.

2. Inquire of the City's management about its understanding of the risks of fraud within the City, including any specific risks identified or account balances or transaction classes where fraud is likely to occur. Describe.

3. Inquire of the City's management about the programs and controls it has established to mitigate fraud risks and how it monitors such programs and controls. Describe.

4. Inquire of the City's management about the nature and extent of monitoring of operating locations, where applicable, and whether there are particular units for which a risk of fraud may be more likely to exist. Describe.

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AUDIT STRATEGY
RISK ASSESSMENT

5. Inquire of the City's management about whether and how it communicates to employees its views on business practices and ethical behavior. Describe.

6. Inquire of the City's management about whether it has reported to the audit committee, or its equivalent, on how the City's internal control monitors the risks of material fraud. Describe.

7. Inquire of the City's management about its compliance with laws and regulations. Describe.

8. Inquire of management about the existence of any agreements containing confidentiality clauses. Describe.

9. Inquire as to whether the person being interviewed is aware of any abuse (i.e. misuse of authority, unneeded overtime, requesting staff run personal errands, expensive procurements, etc.). Describe.

10. Inquire as to whether the person being interviewed is aware of any City employee or City Council Member with possible financial pressures (i.e. gambling, excessive shopping, sudden medical expenses, lifestyle changes, etc.).

11. Did information arise from inquiries of management which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document in Part IV)

_____ No

Comments:

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AUDIT STRATEGY
RISK ASSESSMENT

B. Others Interviewed:

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Inquire of others within the City (others can include operating personnel not directly involved in the financial reporting process, employees with different levels of authority, employees involved with initiating, recording or processing complex or unusual transactions or in-house legal counsel) about any actual fraud or suspected fraud. Describe.

2. Inquire as to whether the person being interviewed is aware of any abuse (i.e. misuse of authority, unneeded overtime, requesting staff run personal errands, expensive procurements, etc.). Describe.

3. Inquire as to whether the person being interviewed is aware of any City employee or City Council Member with possible financial pressures (i.e. gambling, excessive shopping, sudden medical expenses, lifestyle changes, etc.).

4. Did information arise from inquiries of others which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document in Part IV)

_____ No

Comments:

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT

C. Journal Entry Inquiry:

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Inquire of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Describe.

2. Did information arise from inquiries of others which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document in Part IV)

_____ No

Comments:

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AUDIT STRATEGY
RISK ASSESSMENT

D. Audit Committee or Equivalent Personnel Interviewed:

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Where applicable, inquire of the audit committee or its equivalent, or at least its chair, about (1) its views about the risks of fraud, (2) whether it has knowledge of any actual fraud or suspected fraud and (3) how it exercises its oversight of the City's assessment of risks of fraud and the programs and controls the City has adopted to mitigate those risks. Describe.

2. Did information arise from inquiries of audit committee or equivalent personnel which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document in Part IV)

_____ No

Comments:

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT

E. Internal Audit Personnel Interviewed:

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Where applicable, inquire of internal audit personnel about (1) their views of the risks of fraud, (2) any procedures they performed to identify or detect fraud during the period under audit, (3) management's response to the findings and (4) whether they have knowledge of any actual fraud or suspected fraud. Describe.

2. Did information arise from inquiries of internal audit personnel which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document in Part IV)

_____ No

Comments:

CITY City of Sample

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**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
III. FRAUD RISK ASSESSMENT Instructions: Complete the following questions to document your consideration of risk factors that might indicate an increased risk of material misstatement due to fraud. "Yes" answers do not necessarily indicate an increased risk, but should be considered when assessing the risk of <u>material</u> misstatement due to fraud. If fraud risk factors are present, but other controls exist that compensate for that risk, document the mitigating factors in the remarks column. <u>RISK FACTORS RELATING TO FRAUDULENT FINANCIAL REPORTING</u> A. Incentives/Pressures <ol style="list-style-type: none"> Is there significant pressure on meeting performance targets? Is a significant portion of management's compensation or performance assessment dependent on budgetary goals, program results, or other incentives? Do unrealistic performance targets exist? Were there numerous significant budget modifications in prior periods? Is there a lack of formal budgeting policies and procedures? Is the current management unable to make reasonable estimates of tax revenues, expenditures, or cash requirements? Has the credit rating for the City's securities been downgraded by an independent agency since the prior period? Do individuals outside of management or the governing body have substantial influence over the operations of one or more governmental units? Has management set unduly aggressive financial targets and expectations for operating personnel? Is the City subject to new accounting, statutory, or regulatory requirements that could impair its operating efficiency or financial stability? 				

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT

QUESTION		YES	NO	N/A	REMARKS
11.	Is the City experiencing rapid changes, such as rapid changes in technology or rapid changes in citizen's service expectations?				
12.	Is the City experiencing a poor or deteriorating financial condition (for example, a declining tax base, declining economy, or other anticipated loss of revenue sources)?				
13.	Is the City having difficulty generating cash flows from operating activities?				
14.	Has the City experienced unusually rapid growth or improved financial results, especially when compared to other governments?				
15.	Is the City highly vulnerable to changes in interest rates?				
16.	Is the City unusually dependent on debt financing?				
17.	Do the City's financing agreements have debt covenants that are difficult to maintain?				
18.	Is the City facing the threat of imminent bankruptcy?				
19.	Is there significant pressure to obtain additional funding to maintain services?				
20.	Is there a high degree of competition for federal or state awards?				
21.	Is there declining federal and state program funding levels on a national or regional level?				
22.	Is there a declining number of eligible participants, benefit amounts, and/or enrollments in award programs?				
23.	Is there complex or frequently changing compliance requirements?				
24.	Is there a mix of fixed price and cost reimbursable program types that create incentives to shift costs?				
B. Opportunities					
1.	Is management dominated by a single individual or a small group without compensating controls, such as effective oversight by the governing body?				

CITY City of Sample

June 30, 2016

**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
<p>2. Does the governing body or management lack understanding or experience regarding the operation or responsibilities of the government?</p> <p>3. Are internal controls inadequately monitored by management?</p> <p>4. Has management continued to employ ineffective accounting or IT (information technology) personnel?</p> <p>5. Has there been a high turnover in management level employees, bankers, attorneys or auditors?</p> <p>6. Does the level of communication between accounting managers and data processing or IT departments appear to be inadequate?</p> <p>7. Are assets, liabilities, revenues and expenditures or expenses based on significant estimates that involve unusually subjective judgments or uncertainties or that could significantly change in the near term in a manner that may be financially disruptive?</p> <p>8. Does the City engage in significant related party transactions not in the ordinary course of business (including transactions with related governments that are unaudited or audited by another firm)?</p> <p>9. Does the City have unusual or highly complex transactions (particularly those close to year-end) that are difficult to assess for substance over form?</p> <p>10. Does the City have significant bank accounts in locations for which there does not appear to be a clear business justification?</p> <p>11. Does the City have an overly complex organizational structure involving numerous component units, subrecipients, related organizations, lines of managerial authority, or contractual arrangements that do not have an apparent purpose?</p> <p>12. Does the City have significant relationships with other governments that do not appear to have a clear programmatic or business justification?</p>				

CITY City of Sample

June 30, 2016

**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
<p>C. Attitudes/Rationalizations</p> <ol style="list-style-type: none"> 1. Were there numerous significant audit adjustments in prior periods? 2. Is there an excessive interest by management to meet performance targets through the use of unusually aggressive accounting practices? 3. Has management failed to effectively communicate and support the government's values or ethics? 4. Has management failed to effectively communicate about inappropriate business practices or ethics? 5. Has management failed to correct known significant deficiencies or material weaknesses in internal control on a timely basis? 6. Has management displayed a significant disregard for regulatory requirements, including, when applicable, federal and state award compliance requirements? 7. Does management have a poor reputation? 8. Does management have a history of violating laws, regulations, debt covenants, contractual obligations, or federal and state award compliance requirements? 9. Do non-financial management or personnel excessively participate in the determination of significant estimates or selection of accounting principles? 10. Are there frequent disputes on accounting, auditing or reporting matters between management and the current or predecessor auditor? 11. Has management made unreasonable demands on the auditor, such as unreasonable time constraints on completion of the audit or an excessive emphasis on reducing the audit fee? 				

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT

QUESTION		YES	NO	N/A	REMARKS
12.	Has management placed restrictions on the auditor (formal or informal) that inappropriately limit access to people or information (or inappropriately limit communication with the governing body or audit committee)?				
13.	Has management failed to respond to specific inquiries or to volunteer information regarding significant or unusual transactions?				
14.	Has there been domineering behavior by management, especially involving attempts to influence the scope of the auditor's work?				
15.	Are there other situations indicating a strained relationship between management and the current or predecessor auditor?				
16.	Could the City face adverse consequences on a significant pending transaction (such as issuance of debt or receipt of a grant) if poor financial results are reported?				
17.	Does the City have significant investments in high-risk financial investments?				
18.	Are there any known personal difficulties or other influences in the lives of management that could adversely affect their integrity, attitude or performance?				
19.	Do other conditions exist that indicate incentives/ pressures, opportunities or attitudes/rationalizations for management to engage in fraudulent financial reporting?				

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT

Do conditions exist that indicate there may be incentives/pressures, opportunities or attitudes/rationalizations for management to intentionally misstate the financial statements?

_____ Yes (Document in Part IV)

_____ No

Comments:

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CITY City of Sample

June 30, 2016

**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
<u>RISK FACTORS RELATING TO MISAPPROPRIATION OF ASSETS</u>				
A. Incentives/Pressures				
1. Are there any indications management or employees with access to cash or other assets susceptible to theft have personal financial obligations which may create pressure to misappropriate assets?				
2. Are there any conditions which may create adverse relationships between the City and employees with access to cash or other assets susceptible to theft, such as the following:				
a. Known or anticipated future employee layoffs?				
b. Recent or anticipated changes to employee compensation or benefit plans?				
c. Promotions, compensation, or other rewards inconsistent with expectations?				
B. Opportunities				
1. Does the City maintain or process large amounts of cash?				
2. Is the City's inventory easily susceptible to misappropriation (such as small size, high value, or high demand)?				
3. Does the City have assets that are easily convertible to cash (such as bearer bonds, etc.)?				
4. Does the City have capital assets that are easily susceptible to misappropriation (such as small size, portability, marketability, lack of ownership identification, etc.)?				
5. Is the City susceptible to fraudulent, unauthorized disbursements (such as vendor or payroll disbursements) being made in amounts that are material to the financial statements?				
6. Is there a lack of management oversight over assets susceptible to misappropriation?				
7. Does the City lack job applicant screening procedures when hiring employees with access to assets susceptible to misappropriation?				
8. Does the City have inadequate record keeping over assets susceptible to misappropriation?				

CITY City of Sample

June 30, 2016

**AUDIT STRATEGY
RISK ASSESSMENT**

QUESTION	YES	NO	N/A	REMARKS
9. Is there a lack of appropriate segregation of duties which is not mitigated by other factors (such as management oversight)? 10. Does the City lack an appropriate system for authorizing and approving transactions (for example, in purchasing or payroll disbursements)? 11. Are there poor physical safeguards over assets susceptible to misappropriation (for example, inventory not stored in a secured area, cash or investments kept in unlocked drawers, etc.)? 12. Is there a lack of timely and appropriate documentation for transactions affecting assets susceptible to misappropriation? 13. Is there a lack of mandatory vacations for employees in key control functions? 14. Does management have an inadequate understanding of information technology which enables information technology employees to perpetrate a misappropriation? 15. Are access controls over automated records inadequate (including controls over, and review of, computer system event logs)?				
C. Attitudes/Rationalizations				
1. Do employees who have access to assets susceptible to misappropriation show: <ul style="list-style-type: none"> a. Disregard for the need for monitoring or reducing risks related to misappropriation of assets? b. Disregard for internal control over misappropriation of assets by overriding existing controls? c. Disregard for internal control over misappropriation of assets by failing to correct known internal control deficiencies? 2. Do employees who have access to assets susceptible to misappropriation exhibit behavior indicating displeasure or dissatisfaction with the City or its treatment of its employees? 3. Have you observed any unusual or unexplained changes in behavior or lifestyle of employees who have access to assets susceptible to misappropriation?				

CITY City of Sample

June 30, 2016

AUDIT STRATEGY
RISK ASSESSMENT

Do conditions exist that indicate there may be incentives/pressures, opportunities or attitudes/rationalizations relating to misappropriation of assets?

☐ Yes (Document in Part IV)

☐ No

Comments:

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List any additional fraud factors or conditions identified as being present. Additional factors may have been identified through inquiry of management in the entrance conference. Also, document any compensating controls.

--

If improper revenue recognition was not identified as a risk of material misstatement due to fraud, describe the reasons regarding how that presumption was overcome.

--

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT**IV. RESPONSE TO RISKS**

The way the auditor responds to the risks identified during the risk assessment process depends on the nature and significance of the risks identified and on the City's programs and controls which address such risks. The auditor should take into account the various risk assessment procedures performed, including preliminary analytical procedures, brainstorming session, information obtained about the City and its environment, including internal controls, fraud risk considerations and any other sources providing information about relevant risks. For single audits, the auditor should consider the risk noncompliance may cause the financial statements to contain a material misstatement. Auditors respond to the results of the risk assessment in three ways: (1) an overall response as to how the audit is conducted, (2) specific responses involving modification of the nature, timing and extent of procedures to be performed and (3) responses to further address the fraud risk of management override of controls.

1. Overall response to financial statement risks – Describe overall risks at the financial statement level which may affect many assertions and the planned response to identified risks. Examples of overall risks include weaknesses in the control environment, changes in management, motivation by management to fraudulently misstate the financial statements, etc. Appropriate responses may include: (1) assignment of personnel and supervision, (2) scrutiny of management's selection and application of significant accounting principles and (3) including an element of unpredictability in audit procedures and tests.

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2. Specific responses to risks – If any risks are considered significant, the risk and the auditor's response to the risk should be included in the risk assessment summary form. For less significant risks, describe your specific responses, if any, to identified risks, including modification of the nature, timing and extent of audit procedures.

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CITY City of Sample

June 30, 2016

AUDIT STRATEGY
RISK ASSESSMENT

3. Response to address management override of controls – Because management override of controls can occur in unpredictable ways, the risk of management override of controls is always an identified fraud risk and the auditor is required to perform certain specified procedures to respond to such risk. These procedures relate to (1) examining journal entries and other adjustments, (2) reviewing accounting estimates for biases and (3) evaluating the business rationale for significant unusual transactions.

See audit program step N in audit program section Fund Balance

See audit program steps Q and S in audit program section Completion of Audit

Incharge		Date	
Manager		Date	
Independent			
Reviewer		Date	

CITY City of Sample

June 30, 2016

**AUDIT STRATEGY
RISK ASSESSMENT SUMMARY**

ACCOUNT BALANCE/ CLASS OF TRANSACTION	MAT. BAL. (y/n)	MAJ. PROG. (y/n)	Inherent Risk				CR	TOC (y/n)	RMM	Allowable DR
			High	Mod	Low	Over all				
Statement of Net Position/ Balance Sheet										
Cash										
Investments										
Taxes Receivable										
Accounts Receivable										
Deferred Outflows of Resources										
Prepaid Expense										
Inventories										
Capital Assets										
Accounts Payable										
Deferred Inflows of Resources										
Other Liabilities										
Compensated Absences										
Long Term Debt										
Other:										
Statement of Activities/ Statement of Revenues, Expenditures and Changes in Fund Balances										
Property Tax										
Revenue/Receipts – Intergovernmental										
Revenue/Receipts – Proprietary										
Other Revenue/Receipts										
Expenditures/Disbursements										
Expenditures/Disbursements - Procurement/Credit Cards										
Payroll										
Transfers										
Depreciation										
Financial Reporting (Presentation and Disclosure)										
Other:										

CITY City of Sample

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**AUDIT STRATEGY
RISK ASSESSMENT SUMMARY**

ACCOUNT BALANCE/ CLASS OF TRANSACTION	IDENTIFIED RISKS and RELEVANT ASSERTION(S)	OPINION UNIT(S) APPLICABLE	RESPONSE TO RISK and AUDIT APPROACH
Statement of Net Position/ Balance Sheet			
Cash			
Investments			
Taxes Receivable			
Accounts Receivable			
Deferred Outflows of Resources			
Prepaid Expense			
Inventories			
Capital Assets			
Accounts Payable			
Deferred Inflows of Resources			
Other Liabilities			
Compensated Absences			
Long Term Debt			
Other:			
Statement of Activities/ Statement of Revenues, Expenditures and Changes in Fund Balances			
Property Tax			
Revenue/Receipts - Intergovernmental			
Revenue/Receipts – Proprietary			
Other Revenue/Receipts			
Expenditures/Disbursements			
Expenditures/Disbursements - Procurement/Credit Cards			
Payroll			
Transfers			
Depreciation			
Financial Reporting (Presentation and Disclosure)			
Other:			

CITY City of Sample

June 30, 2016

AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

ASSERTION DEFINITIONS:

Account Balances:

- E = Existence – assets, deferred outflows of resources, liabilities and deferred inflows of resources exist.
- R = Rights and Obligations – the City holds or controls the rights to assets and liabilities are the obligations of the City.
- C = Completeness – all assets, deferred outflows of resources, liabilities and deferred inflows of resources which should have been recorded have been recorded.
- V = Valuation and Allocation – assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances and net position are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Classes of Transactions:

- O = Occurrence – transactions and events which have been recorded occurred and pertain to the City.
- C = Completeness – all transactions and events which should have been recorded have been recorded.
- AC = Accuracy – amounts and other data relating to recorded transactions and events have been recorded appropriately.
- CO = Cut off – transactions and events have been recorded in the correct accounting period.
- CL = Classification – transactions and events have been recorded in the proper accounts.

Presentation and Disclosure:

- O = Occurrence and Rights and Obligations – disclosed events have occurred and pertain to the City.
- C = Completeness – all disclosures that should have been included in the financial statements have been included.
- U = Classification and Understandability – financial information is appropriately presented and described and disclosures are clearly expressed.
- V = Accuracy and Valuation – financial and other information are disclosed fairly and at appropriate amounts.

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY**INHERENT RISK FACTORS:**

1. Prior audit history indicates little or no adjustment required.
2. Prior audit history indicates significant adjustments.
3. Personnel recording transactions are competent and have been performing duties for several years.
4. New personnel/poorly trained personnel.
5. Transactions are relatively simple to record.
6. Transactions require significant calculations prior to recording.
7. Relatively few transactions.
8. Significant accounting estimates required.
9. Low susceptibility to misappropriation.
10. Highly susceptible to misappropriation.
11. Relatively immaterial.
12. Complexity of matters likely to result in misstatement.
13. Stable transaction activity.
14. High fluctuation in timing of activity.
15. Low potential for omitted activity.
16. High potential for omitted activity.
17. Prior audits included insignificant findings or no findings.
18. Prior audits included significant findings.

COMBINED RISK ASSESSMENT AND ALLOWABLE DETECTION RISK:

<u>INHERENT RISK</u>	<u>CONTROL RISK</u>			Combined risk of material misstatement (RMM)
	MAXIMUM	MODERATE	LOW	
HIGH	High	Moderate	Low	
MODERATE	Moderate	Low	Low	
LOW	Low	Low	Low	
<u>COMBINED RISK OF MATERIAL MISSTATEMENT (RMM)</u>	<u>ALLOWABLE DETECTION RISK</u>			
HIGH	Low Moderate High			
MODERATE				
LOW				

ARE THERE ANY SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES KNOWN AT THE TIME OF PLANNING THAT MAY AFFECT THE PLANNED AUDIT APPROACH?
YES NO

If Yes, document the account balance or class of transaction affected and explain

CITY City of Sample

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY**Planning Approach:**

We have documented the material account balances and classes of transactions and identified significant risks, if any, at the relevant assertion level. We have determined and documented the risk of material misstatement, specific responses to the risks identified, an overall audit approach and have modified the audit program procedures accordingly.

Significant Changes to Overall Audit Strategy:

Document significant changes made during the audit to the overall audit strategy and the reasons for such changes. These changes, if any, should be documented on the risk assessment summary or listed below:

Completion - Overall Audit Strategy Conclusion:

We have reviewed the audit procedures performed for each account balance and class of transaction and have determined these procedures agree with and satisfy the planned audit approach.

	Initials and Dates			
	Planning		Completion	
	Initials	Date	Initials	Date
Incharge	_____	_____	_____	_____
Manager	_____	_____	_____	_____
Independent	_____	_____	_____	_____
Reviewer	_____	_____	_____	_____

CITY City of Sample

June 30, 2016

AUDIT STRATEGY
SINGLE AUDIT

- 1) Determine Type A vs. Type B programs using the Program Identification form.
- 2) Determine the risk classification of Type A programs.
- 3) If necessary, determine the risk classification of Type B programs using the Risk Assessment form.

NOTE: ALL PROGRAMS ASSESSED AS HIGH RISK MUST BE AUDITED.

- The auditor is not required to identify more high-risk Type B programs than at least one-fourth the number of low-risk Type A programs.
 - When identifying which Type B programs to perform a risk assessment, the auditor is encouraged to use an approach which provides an opportunity for different high-risk Type B programs to be audited as major over a period of time.
- 4) Identify major programs and determine if the percentage of coverage rule has been met using the bottom of the Determination of Major Programs form.

Major programs must account for at least 40% of total expenditures of federal awards unless the City is low-risk, in which case only 20% needs to be met.* The City is considered low risk if, for each of the prior two years, all of the following conditions have been met:

- A Single Audit is performed on an annual basis.
 - Unmodified opinions on the financial statements and the Schedule of Expenditures of Federal Awards were issued.
 - No material weaknesses in internal control under the requirements of Government Auditing Standards (relating to the financial statements) were noted.
 - No internal control deficiencies identified as material weaknesses were noted for all Type A programs.
 - No material non-compliance was noted for all Type A programs.
 - There were no known or likely questioned costs exceeding 5% of the program's expenditures for all Type A programs.
 - The prior two years audits must have met the report submission requirements of Uniform Guidance (reports were submitted to the federal audit clearinghouse by March 31).
 - No substantial doubt about the City's ability to continue as a going concern was noted.
- 5) Identify the applicable Compliance Requirements for each major program.

*The City may have one or more non low-risk Type A programs and still qualify as a low-risk entity, as long as all Type A programs meet the criteria listed. However, all non low-risk Type A programs must be audited as major programs even if the 20% rule of coverage is met by only a portion of the non low-risk Type A programs.

CITY City of Sample

June 30, 2016

**AUDIT STRATEGY
SINGLE AUDIT****PROGRAM IDENTIFICATION**

For programs with ARRA funding and no separate CFDA #, list the ARRA portion on a separate line and add the prefix "ARRA - " to the program name.

Federal Program	CFDA #	Federal Awards Expended	% of Total Federal Awards Expended	Type A Program (X)	Type B	
					Primary Program (X)	Relatively Small Program (X)
TOTAL						

Determine the appropriate amounts to be used as program thresholds:

Type A		Type B	
Total Federal Assistance	\$ _____	Type A threshold	\$ _____
Percentage multiplier (3%)*	X <u>0.03</u>	Percentage multiplier (25%)	X <u>0.25</u>
Type A threshold: greater of \$750,000 or 3%	\$ <u>_____</u>	Type B threshold	\$ <u>_____</u>

Relatively small programs are programs less than the Type B threshold. Risk assessments are not required to be performed on relatively small programs.

* - For total federal awards less than or equal to \$100 million.

NOTE: A Single Audit is not required if total federal expenditures are less than \$750,000.

CITY City of Sample**June 30, 2016****AUDIT RISK
TYPE A PROGRAM RISK ASSESSMENT****Program Name:****CFDA #:****Last FY Audited as a Major Program **:****Current and Prior Experience:**

Program was audited as a major program in one of the last two years. (2 CFR 200.518(c)(1)) (1)

No material weaknesses were noted in the most recent audit period. (2 CFR 200.518(c)(1)(ii)) (1)

No material instances of non-compliance, resulting in an opinion modification were noted in the most recent audit period. (2 CFR 200.518(c)(1)(iii)) (1)

No known or likely questioned costs which exceeded 5% of the total federal awards expended for the program were noted in the most recent audit period. (2 CFR 200.518(c)(1)(iii)) (1)

Results of audit follow-up did not indicate a significant increase in risk. (2 CFR 200.518(c)(1))

Oversight (Federal and/or Pass-through entities):

Recent monitoring reviews were performed and noted no significant problems. (2 CFR 200.518(c)(1) and 200.519(c)(2)) (2)

OMB has not identified the program as a high risk or non-low-risk program in the Compliance Supplement. Verify with the client. (2 CFR 200.518(c)(2))

Inherent Risk:

No significant changes in personnel or systems affecting the program have been identified. (2 CFR 200.518(c)(1)) (3)

Overall Risk Analysis:

Low Risk Type A Program							
Non-Low Risk Type A Program							

(1) - This criteria must be met in order to consider a Type A program low-risk.

(2) - Obtain copy of monitoring review or other documentation to support significant problems identified.

(3) - If this criteria is not met, the auditors should document the changes in personnel or systems which significantly affected the risk assessment.

** - Uniform Guidance states in part, for a Type A program to be considered low-risk, it shall have been audited as a major program in at least one of the two most recent audit periods. This ensures all Type A programs are tested as major at least once every three years.

CITY City of Sample**June 30, 2016****AUDIT RISK
TYPE B PROGRAM RISK ASSESSMENT****Program Name:****CFDA #****Last FY Audited as a Major Program****Current and Prior Experience:**

Program was audited as a major program within last three years.
(2 CFR 200.519(b)(3))

No significant deficiencies/material weaknesses or material instances
of non-compliance were noted in the last year the program was
audited. (2 CFR 200.519(b)(1))

Persons administering program are experienced and appear
competent. (2 CFR 200.519(b)(1))

The program is not administered under multiple internal control
structures. (2 CFR 200.519(b)(1)(i))

Monitoring of subrecipients is adequate. (2 CFR 200.519(c)(1))

Information systems used for processing are established and
adequate. (2 CFR 200.518(c)(1))

Prior audit findings have been corrected. (2 CFR 200.519 (b)(2)) (*)

Oversight (Federal and/or Pass-through entities):

Recent monitoring reviews were performed and noted no significant
problems. (2 CFR 200.518(c)(1))

OMB has not identified the program as a high risk or non-low-risk
program in the Compliance Supplement. (2 CFR 200.519 (c)(2))

Inherent Risk:

Nature of program is not complex. (2 CFR 200.519(d)(1))

There are no eligibility criteria or third party contracts.
(2 CFR 200.519(d)(1))

There haven't been significant changes in federal regulations or
contract provisions. (2 CFR 200.519(d)(2))

Program has been on-going (not the first or last year of the
program). (2 CFR 200.519(d)(3))

Program's preliminary Inherent Risk (High, Mod, Low)

Internal Control Consideration:

Assessed level of risk based on evaluation of internal controls for
prior year. (Max / Slt / Mod / Low)

Overall Risk Analysis:

Low Risk Type B Program							
High Risk Type B Program							

(*) - Auditors should use their judgment. Audit findings from prior year do not preclude the program from being low risk.

Note: Except for known material weaknesses in internal control or compliance problems, a single criteria would seldom cause a Type B program to be considered high-risk.

CITY City of Sample

June 30, 2016

AUDIT STRATEGY
SINGLE AUDIT
DETERMINATION OF MAJOR PROGRAMS

In order to determine major programs, complete the following steps:

- Enter Type A programs and their risk analysis from the Risk Evaluation form. For non low-risk Type A programs only, enter their percentage of total federal expenditures (from the Program Identification form) in the far right column. If there are low-risk Type A programs, proceed to the next step. If there are no low-risk Type A programs, then determine if total percentage of the non low-risk Type A programs exceeds the percentage of coverage rule. If it exceeds the minimum percentage required, the determination of major programs is complete. If the minimum percentage is not met, include additional programs as necessary to meet the percentage of coverage rule.
- Enter the high-risk Type B programs from the Risk Evaluation form limited to 25% of the number of low-risk Type A programs. For each high-risk Type B program selected, enter its percentage of total federal expenditures (from the Program Identification form) in the far right column. **NOTE: ALL PROGRAMS ASSESSED AS HIGH RISK MUST BE AUDITED.**
- Determine if the total percentages from these two steps exceed the percentage of coverage rule. If it exceeds the minimum percentage required, then the determination of major programs is complete. If the minimum percentage is not met, include additional programs as necessary to meet the percentage of coverage rule.

A B	Federal Program	CFDA #	Non Low- Risk	Low- Risk	High- Risk	% of Total Expenditures of Federal Awards
	TOTAL					

40% Rule applicable ☐20% Rule applicable ☐

CITY **City of Sample****June 30, 2016****AUDIT STRATEGY
SINGLE AUDIT RISK ASSESSMENT****INHERENT RISK FACTORS:**

1. Little or no changes in the compliance requirements.
2. Compliance requirements added or significantly changed.
3. Program characteristics do not involve a high amount of risk.
4. Program characteristics involve risk such as a significant amount of contracting or use of subrecipients or OMB designated program as higher risk including programs with Recovery Act funds.
5. High level of independent review/oversight.
6. Little or no independent review/oversight.
7. Relatively simply compliance requirements.
8. Compliance requirements are complex such as calculations and eligibility determinations are complex, require a high degree of judgment or are difficult to audit.
9. Personnel are experienced and competent.
10. Personnel are inexperienced, poorly trained or lack competence.
11. Administration is centralized.
12. Decentralized administration with multiple locations or branches.
13. Prior audits included insignificant no compliance findings.
14. Prior audits included significant compliance findings.

The auditor should consider whether any risks identified are pervasive to the City's compliance because they may affect the City's compliance with many compliance requirements. If the auditor identifies risks of material noncompliance that are pervasive to the City's compliance, the auditor should develop an overall response to such risks. Examples of situations in which there may be risk of material noncompliance that is pervasive to the City's noncompliance are as follows:

- A City experiencing financial difficulty and for which there is an increased risk grant funds will be diverted for unauthorized purposes.
- A City with a history of poor recordkeeping for its government programs.

COMBINED RISK ASSESSMENT:

INHERENT RISK	CONTROL RISK			Combined risk of material Noncompliance
	MAXIMUM	MODERATE	LOW	
HIGH	High	Moderate	Low	
MODERATE	Moderate	Low	Low	
LOW	Low	Low	Low	

City Sample City

June 30, 2016

NONAUDIT SERVICES

Objective: To evaluate and document independence resulting from the performance of nonaudit services to be provided in accordance with the GAGAS Conceptual Framework for Independence.

Nonaudit Services Performed: Document each nonaudit service to be performed and, based on your understanding with the City, document whether the City agrees to perform the following functions for each nonaudit service.

Nonaudit service to be performed	Assumes all management responsibilities	Designate an individual who has suitable SKE to oversee the service	Evaluate the adequacy and results of the nonaudit service	Accepts responsibility for the results of the nonaudit service
Preparing financial statements and notes				
Preparing WTB's, including the entity-wide WTB				
Converting cash to accrual				
MD&A				
Schedule of Expenditures of Federal Awards				

Designated Individual: Briefly describe the individual or individuals designated to oversee each of the above nonaudit services, including their skills, knowledge and experience (SKE) to oversee the nonaudit services, and whether the individual is capable of reperforming the services:

Name and Title: _____

SKE: _____

Are any of the above nonaudit services prohibited? Yes_____ No_____ (Note: If yes, independence is impaired and the nonaudit service and the audit cannot be performed.)

Do the above individuals possess the required SKE? Yes_____ No_____ (Note: If no, independence is impaired and the nonaudit service and the audit cannot be performed.)

Do threats to independence exist for any other nonaudit services? Yes_____ No_____

CITY City of Sample

June 30, 2016

NONAUDIT SERVICES

If yes, list the nonaudit service and the threat:

Nonaudit Service	Identified Threat	Is the threat significant?

Possible threats are: Self-interest, self-review, bias, familiarity, undue influence, management participation and structural.

Safeguards Applied**W/P Ref**

Select from the following safeguards as applicable to reduce threats to an acceptable level:

- ☐ Discuss the significance of threats to management participation or self-review with the engagement team and emphasize the risks associated with those threats. _____
- ☐ Educate management about the nonaudit services performed by reviewing and explaining the reason and basis for all significant transactions, as well as authoritative standards. _____
- ☐ The designated individual at the City will review and approve any proposed journal entries. _____
- ☐ The designated individual at the City will compare fund balances reported in the draft financial statements to the City's records. _____
- ☐ The designated individual at the City will complete the nonaudit services disclosure checklist. _____
- ☐ The designated individual at the City will compare the financial statements and notes to financial statements to the AOS sample report. _____
- ☐ We will obtain a secondary review of the nonaudit services by professional personnel who are not members of the audit engagement team (Independent Manager). _____
- ☐ We will obtain secondary reviews of the nonaudit services by professional personnel not involved in planning or supervising the audit engagement. _____
- ☐ We will consult an independent third party. _____
- ☐ We will involve another audit organization to perform or reperform part of the audit. _____

Have the safeguards noted eliminated the threats identified above or reduced them to an acceptable level? Yes_____ No_____ (Note: If no, independence is impaired and the nonaudit service and the audit cannot be performed.)

CITY **City of Sample**

June 30, 2016

NONAUDIT SERVICES

CONCLUSION: We have evaluated the nonaudit services to be provided to the City, both individually and in the aggregate. We have determined the nonaudit services are not prohibited services and do not involve undertaking management responsibilities as described in Government Auditing Standards.

We have evaluated and documented all significant threats and applied safeguards to eliminate or reduce any significant threat(s) to an acceptable level. We have evaluated the SKE of the individual designated by the City to oversee the nonaudit services and determined they are suitable in the circumstances. We have documented and met the requirements for performing nonaudit services under paragraphs 3.37 and 3.39 of the 2011 Yellow Book.

Based on the foregoing, we may provide the nonaudit services described herein and remain independent with respect to the City.

Incharge _____

Date _____

Manager _____

Date _____

Independent
Reviewer _____

Date _____

CITY City of Sample**June 30, 2016****PLANNING CONFERENCE**
ENTRANCEIN ATTENDANCE:

<u>City</u>		<u>Auditor</u>	
Name	Title	Name	Title
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

<u>Items</u>	<u>Discussion</u>
A. Scope of Audit**:	
1. Period to be audited.	
2. Basis of accounting.	
3. Objectives of audit.	
4. Engagement letter (if multi-year letter is used, auditor should annually remind management of the terms of the engagement).	
5. Funds to be audited (including component units).	
6. Federal programs.	
7. Additional audit requirements.	
8. Reports to be issued.	
9. The audit will be conducted in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and Government Auditing Standards, issued by the Comptroller General of the United States.	
B. Timing of**:	
1. Fieldwork.	
2. Release of report.	
C. Availability of records.	
D. Working space arrangements, if applicable.	
E. Extent of internal audit/other client assistance.	
F. Status of prior year's audit comments.	
G. Personnel changes.	
H. Accounting problems during the year.	

CITY City of Sample**June 30, 2016****PLANNING CONFERENCE**
ENTRANCE

<u>Items</u>	<u>Discussion</u>
I. Pending litigation.	
J. Significant accounting policies.	
K. Extent of computerized books and records.	
L. Inquire of management about the existence of related party/business transactions, including changes from the prior year and the nature of the relationships.	
M. Potential component units, including changes from the prior year and entities for which the City is acting as a fiscal agent.	
N. 28E organizations in which the City is a participant.	
O. If the City has extended or received financial guarantees on obligations of other entities without receiving or paying equivalent value for the guarantee, discuss the obligation with City officials (GASB 70).	
P. Understanding of fee and billing arrangements.	
Q. Additional items for audit planning:	
1. New capital projects or completion of projects from the prior year.	
2. New grants or completion of grants from the prior year.	
3. New revenue sources, such as special assessments, local option sales tax, etc.	
4. Debt issuances or refunding/retirement of debt.	
5. Significant changes in the City's budget from the prior year and/or significant amendments to the City's current year budget.	
6. Others.	
R. GASB 43/45/57 – Inquire of management about the date of the most recent actuarial valuation or update to the valuation. A new valuation should be performed as required (based on total plan membership) or if significant changes have occurred since the most recent valuation that would affect the results of the valuation (changes in benefit provisions, size or composition of population covered, medical trend rates).	

CITY City of Sample**June 30, 2016****PLANNING CONFERENCE**
ENTRANCE

<u>Items</u>	<u>Discussion</u>
S. GASB 68 – Accounting and Financial Reporting for Pensions. – Discuss with management the impact on the City’s financial statements.	
T. GASB 34 – Inquire as to whether any funds have been identified as discretionary major funds.	
U. Inquire of management and, when appropriate, those charged with governance, about whether the City is in compliance with laws and regulations that may have a material effect on the financial statements.	
V. Inquire of management about their understanding of the risk of material misstatement due to fraud and whether they have knowledge of fraud that has occurred.	
W. Inquire of management about the existence of a program for preventing, deterring or detecting fraud. If a program exists, determine if fraud risk factors have been identified.	
X. Inform management about the auditor’s responsibilities to inquire of them and others about fraud risk factors relating to financial reporting and misappropriation of assets throughout the audit in accordance with AU-C 240.	
Y. Inquire of management about the existence of any known limitations on the audit.	
Z. Discuss nonaudit services with those charged with governance or management, including**:	
1. Independence issues.	
2. The nature of the audit and the nonaudit services provided.	
AA. Other discussion items.	
BB. Discuss the following items with those charged with governance**:	
1. Are there any matters warranting particular attention during the audit or areas where additional procedures are requested?	
2. Has there been any significant communications with regulators?	

CITY City of Sample**June 30, 2016****PLANNING CONFERENCE**
ENTRANCE

<u>Items</u>	<u>Discussion</u>
3. How does the City respond to changes in financial reporting standards and laws/regulations?	
4. What actions have been taken to respond to prior audit comments?	
5. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.	

Acknowledgement:

_____ Mayor, City Council Member or Audit Committee Member	_____ Date
_____ City Administrator/Manager	_____ Date
_____ City Clerk/Finance Director	_____ Date

****** These items are required to be communicated with those charged with governance, in addition to the items communicated in the audit engagement letter. If those charged with governance are not present at the entrance conference, ensure the required communications are discussed at a later date.

CITY City of Sample

June 30, 2016

PLANNING CONFERENCE
MANAGER

Date: _____

Time: _____

<u>Items</u>	<u>Discussion</u>
A. Last year's items for next year's audit.	
B. Significant findings from audit planning, including discussion/results of brainstorming session*.	
C. Single Audit requirements, if applicable.	
D. Results of obtaining an understanding of internal controls.	
E. Nonaudit services to be performed and results of evaluation of threats to independence and effectiveness of safeguards*.	
F. Engagement letter-update for current year, if needed.	
G. Significant audit program modifications.	
H. Risk assessment summary (RAS), including planned audit approach.	
I. Audit time budget:	
1. Timing of fieldwork.	
2. Staff scheduling.	
3. Budget variances.	
J. Compliance Guide-Review risk assessment and items selected for testing.	
K. Component units and separately maintained records testing.	
L. New auditing or reporting standards.	
M. Other.	

Copy of planning conference and RAS summary provided to Deputy.

Deputy _____ Date _____

* If not completed at the time of the initial Manager planning conference, document date of subsequent discussion.

CITY City of Sample

June 30, 2016

REVIEW OF MINUTES

[illegible]

CITY City of Sample

June 30, 2016

FINANCIAL STATEMENT ASSERTIONS

ASSERTION DEFINITIONS:

Account Balances:

- (1) Existence – assets, deferred outflows of resources, liabilities and deferred inflows of resources exist.
- (2) Rights and Obligations – the City holds or controls the rights to assets and liabilities are the obligations of the City.
- (3) Completeness – all assets, deferred outflows of resources, liabilities and deferred inflows of resources which should have been recorded have been recorded.
- (4) Valuation and Allocation – assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances and net position are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Classes of Transactions:

- (5) Occurrence – transactions and events which have been recorded have occurred and pertain to the City.
- (6) Completeness – all transactions and events which should have been recorded have been recorded.
- (7) Accuracy – amounts and other data relating to recorded transactions and events have been recorded appropriately.
- (8) Cut off – transactions and events have been recorded in the correct accounting period.
- (9) Classification – transactions and events have been recorded in the proper accounts.

Presentation and Disclosure:

- (10) Occurrence and Rights and Obligations – disclosed events have occurred and pertain to the City.
- (11) Completeness – all disclosures which should have been included in the financial statements have been included.
- (12) Classification and Understandability – financial information is appropriately presented and described and disclosures are clearly expressed.
- (13) Accuracy and Valuation – financial and other information are disclosed fairly and at appropriate amounts.

CITY City of Sample

June 30, 2016

TRIAL BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objective and Related Assertion: A. Provide a document which links the report or financial statements to supporting workpapers (12). Audit Procedures: A. Obtain or prepare working trial balances by fund type, function, fund and objective class as needed. If prepared by auditor, determine that independence will not be impaired. 1. A separate trial balance should be prepared for each fund. 2. Account classifications should be minimized and consistent with the GASB Codification and/or the sample report. 3. Foot the working trial balances to verify their accuracy, if applicable. 4. Document the source of the information for the beginning balance amounts. B. Record reclassifications as necessary. 1. The reclassification entries should be consolidated on a separate page, lettered, briefly explained or described and referenced to supporting workpapers if possible. 2. Obtain and document City's concurrence for reclassification entries. 3. Document any reclassifications of transactions or other adjustments on the appropriate lead sheets in the working papers. C. Reference the amounts to supporting workpapers. (The adjusted trial balance amounts should be referenced to supporting working papers.) D. If necessary, detail receipts, disbursements and fund balances directly from City records to draft audit report. E. Prepare entity-wide trial balances for governmental and business type activities. 1. Review receipt classifications for proper reporting on entity-wide statement. 2. Allocate Internal Service Funds net profit/loss on the entity-wide statements to the functions that benefited from the services provided.	A				
	A				
	A				
	A				
	A				

CITY City of Sample

June 30, 2016

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Cash balances as stated in the financial statements is on hand, in transit or on deposit with third parties (depositories) in the name of the City. (1,2) B. All cash of the City is included in the financial statements/fund balance. (3) C. Cash balances reflect a proper cut-off of receipts and disbursements and are stated at the correct amounts. (4,7,9) D. Cash balances are presented by fund type, and adequate disclosure is made of restricted, pledged or committed funds. (10,11,12,13) Audit Procedures: A. Cash On Hand 1. Determine locations, custodians and amount of all cash funds and select funds to be counted. (Coordinate with examination of investments on hand, in separate audit program section.) 2. For funds selected, count and list all cash and cash items. Obtain custodian's signature for return of cash. 3. Reconcile total with established balance. 4. Determine and document reason for any unusual items such as employee and officials checks. 5. Ascertain reason for holding checks not deposited immediately. 6. Determine all checks were properly endorsed. 7. Determine frequency of petty cash replenishment. 8. Determine petty cash payments are reasonable and authorized. B. Undeposited Receipts 1. If there is a significant amount of undeposited receipts, determine whether prenumbered receipts were prepared and the subsequent deposit agrees with books and bank. 2. Obtain explanations for variances and document findings/conclusions.					
	A,B,C				
	A,C				

CITY City of Sample

June 30, 2016

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
C. Cash In Bank					
1. Confirm ending bank balances and authorized check-signers.	A,B,C				
2. Confirm beginning bank balances if the City was not audited the preceding year.					
3. Ascertain and document confirmed, authorized check signers are current employees who should sign checks.					
4. If appropriate, request a cut-off bank statement and related paid checks directly from the bank for ____ days following year-end.					
5. If cut-off bank statements were not received, obtain bank statement and paid checks for the month immediately following year-end and perform these procedures:	C				
a. Scrutinize bank statement for erasures and prove mathematical accuracy of statement (withdrawals equal opening balance plus deposits minus closing balance.)					
b. Ascertain the total of paid checks and debit memos equal total withdrawals per bank statements.					
c. Examine the paid date of each check to ascertain the check was paid by the bank during the period covered by the bank statement.					
d. Ascertain the opening balance equals the closing balance from the previous bank statement.					
6. Obtain or prepare bank reconciliations for bank accounts as of year-end.	A,B,C				
a. If prepared by client, foot bank reconciliation.					
b. Reconcile bank balances with book balances.					
c. Obtain or prepare a list of outstanding checks at the end of the period under audit. Include check number, amount and date written for each listed check.					
d. Verify, on a test basis, listed outstanding checks cleared the bank after June 30.					

CITY City of Sample

June 30, 2016

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> e. For outstanding checks over \$_____ which did not clear the bank by July 31, examine supporting documentation and list payee. Ascertain and document subsequent disposition. f. Determine whether the City is writing and holding checks at June 30. Comment accordingly. <ul style="list-style-type: none"> 1) Determine whether amount is material. 2) Obtain City's concurrence to adjust or determine if opinion should be modified. g. Trace all deposits in transit to subsequent bank statement and document the date deposited per books and per bank. h. Determine and document the propriety of other reconciling items. 					
<ul style="list-style-type: none"> 7. Trace transfers between banks, including money market accounts, for five days on both sides of statement date by: <ul style="list-style-type: none"> a. Preparing a schedule detailing each transfer check, recording the amount, check number, date disbursed per books and per bank, date received (deposited) per books and per bank. b. Reviewing the schedule to determine the receipt (deposit) and disbursement side of each transfer are recorded in the proper period. 	C				
<ul style="list-style-type: none"> 8. Determine the propriety of any cash pledged as collateral or otherwise restricted. 	A				
<ul style="list-style-type: none"> 9. Determine extent of use of electronic fund transfers. Perform procedures as necessary. 10. Determine stamped warrants were included as program disbursements at the time of issuance rather than at the time of redemption. 					
D. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
E. Determine whether cash balances are properly classified and disclosures are adequate.	D				

CITY City of Sample

June 30, 2016

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Investment balances are evidenced by securities or other appropriate legal documents either physically on hand or held in safekeeping by others and include all the City's investments. (1,2,3)					
B. Investment values, income, gains or losses are stated correctly and allocated properly to funds. (4,7,9)					
C. Investments are properly described and classified in the financial statements and related disclosures, including restrictions and commitments, are adequate. (10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a schedule of all investment transactions for the year, including investments owned as of year-end. For U.S. Government securities, the schedule should list the par value of the security in addition to its cost.					
1. Test mathematical accuracy and trace balance to the year-end bank reconciliation/books.	A,B				
2. Determine all investments were recorded.	A				
3. On a test basis, trace collections from sale of investments to cash receipts journal or to rollover investment.	A				
4. Examine investments on hand and trace to schedule or investment record.	A,B				
5. If the City has investments in government securities, sight actual investment certificate if held by the City, or confirm ownership with outside safekeeping agent.	A				
6. Determine all investments are recorded at cost or, if acquired by gift, at fair value at date of gift. (See Step F below for cash basis and step A in the City accrual audit program for GAAP basis cities. Investments are to be reported at fair value in accordance with GASB 72.)	B				
7. Determine land or other real estate held as investments by endowments are reported at fair value in accordance with GASB 72 and include the disclosure provisions of GASB 31.	B,C				

CITY City of Sample

June 30, 2016

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
8. For investments held by the City at the end of the year not able to be inspected because they were sold prior to our audit, vouch sale of investments to supporting documents and trace proceeds to bank deposit. Examination of safekeeping receipts is not sufficient.	A				
B. Confirm investments at the end of the year.	A,B				
C. Determine if a fiduciary relationship exists between the City and the deferred compensation plan which complies with IRC Section 457 plans. (A fiduciary relationship exists if there is a formal trust agreement between the City and the Section 457 plan, the City offers investment advice or the City is involved in the administration of the plan.)	A,B				
1. If a fiduciary relationship exists, the deferred compensation plan assets should be recorded as a Pension Trust Fund, in accordance with GASB 32.					
2. Confirm material deferred compensation plan assets at the end of the year.					
3. If no fiduciary relationship exists, the plan assets should not be displayed on the face of the financial statements and disclosure is not required.					
D. Related Income	B				
1. Recalculate interest on a test basis.					
2. Determine all June 30 unrecorded interest has been recorded to the credit of the appropriate fund.					
E. Determine the propriety of any investments pledged as debt collateral or otherwise restricted.	C				
F. For cash basis cities, prepare a workpaper documenting fair value of investments on hand at June 30 for footnote disclosure.	C				
1. When an active market does not exist for investments, determine the method of estimating fair value and evaluate the propriety of fair value measurements in accordance with AU-C 540 (Characteristics of an inactive market include few transactions, prices are not current, price quotations vary substantially or little information is released publicly).					
2. Determine the proper application of the fair value hierarchy input level for each investment in accordance with GASB 72 as follows:					

CITY City of Sample

June 30, 2016

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> a. Level 1 inputs – quoted prices in active markets for identical assets. b. Level 2 inputs – significant other observable inputs such as quoted prices for similar assets in active markets, quoted prices for identical assets in markets that are not active or other than quoted prices that are observable such as prices using a matrix pricing model. c. Level 3 inputs – significant unobservable inputs using the best information available. 					
G If the City uses pricing services or brokers to obtain fair value measurements, determine the City has determined those prices have been developed in accordance with GASB 72.					
H. Document other investment information for footnote disclosure in accordance with GASB 40, as follows: <ul style="list-style-type: none"> 1. Investments on hand at June 30 should be listed by type and include maturities. 2. Include the appropriate disclosures for the applicable risks: <ul style="list-style-type: none"> a. Credit risk. b. Custodial credit risk. c. Concentration of credit risk. d. Interest rate risk. e. Foreign currency risk. 	C				
I. If the City has stock: <ul style="list-style-type: none"> 1. Determine whether the City bought or was given the stock. 2. If the stock was acquired through gift, determine the terms and conditions of the gift. 3. Include pertinent documentation in the permanent file. 	A,B				
J. If the City has transferred financial assets or entered into a servicing contract for assets or liabilities, determine the appropriate disclosures and assets or liabilities are recorded in accordance with GASB 48.	C				

CITY City of Sample

June 30, 2016

INVESTMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
K. If the City participates in security lending transactions, determine the transactions are properly reported and the appropriate disclosures are made in accordance with GASB 28.	C				
L. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
M. Determine whether investments are properly classified and related disclosures are adequate.	C				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for investments and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____	Date _____				
Manager _____	Date _____				
Independent Reviewer _____	Date _____				

CITY City of Sample

June 30, 2016

CAPITAL ASSETS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the period. (1,2,3,4) B. "Deletions" of capitalized costs and, if applicable, related depreciation/amortization associated with all sold, abandoned, damaged or obsolete capital assets have been removed from the accounts. (1,2,3,4) Audit Procedures: A. If capital asset records are not maintained, perform the following: 1. Trace approval of selected acquisitions in the minutes to the disbursements journal. 2. Trace approval of selected asset dispositions from the minutes to the receipts journal. 3. Review records for unapproved acquisitions or dispositions. B. Determine the City has complied with GASB 60 for any service concession arrangements. C. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures. <u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
	A				
	B				
	A,B				

CITY City of Sample

June 30, 2016

CAPITAL ASSETS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for capital assets and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

CITY City of Sample

June 30, 2016

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Debt is authorized, supported and represents a City obligation. (1,2) B. All indebtedness of the City is identified, recorded and disclosed. (3,11) C. Debt is recorded in the proper fund and/or governmental or business type activities at the proper amount.(4) D. Related disbursements or expenditures (including principal and interest payable) and debt proceeds are properly recorded and classified. (4,5,6,7,8,9) E. Debt and related restrictions, guarantees and commitments are properly presented in the financial statements and related disclosures are adequate. (10,11,12,13) Audit Procedures: A. General obligation, special assessment and revenue bonds or notes. 1. Determine copies of bond or note provisions (ordinances or resolutions), including refunding bond/note issues and escrow agreements, for note disclosure, sales agreements and/or contracts are included in the permanent file. Document revenue bond special reporting requirements such as insurance, number of customers, rates, etc. for report. 2. Review bond or note provisions for compliance with restrictive and reporting requirements, test adequacy of required account balances and document findings. Document and include any non-compliance in the notes to financial statements and audit report comments. 3. For revenue bonds and notes, include the required disclosures about specific revenues pledged as required by GASB 48, including: a. Identification of the specific revenue and amount pledged. b. Purpose of the debt secured by the pledged revenue. c. The term of the commitment.					

CITY City of Sample

June 30, 2016

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
B. Anticipatory Warrants/Obligations					
1. Obtain or prepare a schedule of obligations outstanding at year-end and reconcile to obligations outstanding at the beginning of the year, obligations issued during the year and obligations redeemed during the year.	A,B,D				
2. Confirm end of year balances of anticipatory warrants.	A,B,C				
3. Trace receipts of such obligations into the cash receipts journal and bank statements.	D				
4. If proceeds are not recorded in cash receipts journal, trace to subsidiary ledger and prepare recommended adjustment to properly record these transactions and reflect them in the fund balance.					
5. Obtain information on interest paid during the year and payment date. Recompute interest paid on a test basis.	D				
6. Determine anticipatory warrants redeemed were recorded as a disbursement at the time of redemption.	D				
7. Anticipatory warrants issued and redeemed during the year should be included as other financing sources and uses, respectively.	D				
C. Capital Leases and Installment Purchases					
1. Review lease and installment purchase agreements.	A				
2. Identify capital versus operating leases according to the criteria in GASB Codification, Section L20.	E				
3. Obtain or prepare summary of payments for operating and capital leases and installment purchase agreements for the next five years and thereafter.	E				
4. Compare summaries to agreements.					
5. Determine fiscal year rental expense (net of leases for one month or less).					
6. Reconcile to payment schedule.	B,D				

CITY City of Sample

June 30, 2016

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
D. Judgments and Claims (See also "Insurance and Self-Insurance" section of audit program)	A,B,D				
1. Obtain a listing of judgments and claims against the City.					
2. Trace to supporting documentation.					
3. Determine if judgments/claims were paid out of the proper fund.					
E. Termination Benefits					
1. Review the City's termination benefits plan and determine the plan was properly approved.					
2. Obtain or prepare a list of employees eligible for termination benefits under the plan and the amount of the City's current year expense and liability as of June 30.	A				
3. Select a number of eligible employees under the plan to determine if:	A,B,C,D				
a. The employees meet the requirements noted in the policy.					
b. The employees were properly approved for participation in the plan.					
c. The current year expense and liability were properly calculated as of June 30.					
4. Inquire of City personnel about other eligible employees not included on the list.	B				
5. Prepare the necessary footnote disclosure:	E				
a. A general description of the termination benefit arrangements, including, but not limited to:					
1) Information about the type(s) of benefits provided.					
2) The number of employees affected.					
3) The period of time over which benefits are expected to be provided.					

CITY City of Sample

June 30, 2016

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>b. The costs of termination benefits in the period in which the City becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements.</p> <p>c. The significant methods and assumptions used to determine the termination benefit liabilities and expenses.</p> <p>F. Postemployment Benefits (PEB), excluding pensions:</p> <ul style="list-style-type: none"> - OPEB (GASB 43/45/57) - Sick Leave Dollars Converted to Healthcare (GASB 16/45/47) - Termination Benefits (GASB 47) <p>(For cash basis cities which have not obtained an actuarial report, perform only those procedures necessary to audit the cash basis Other Postemployment Benefits footnote.)</p> <p>1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. to gain an understanding of the City's PEB agreements/plans and plan membership.</p> <p>2. If the City has postemployment benefit plans requiring actuarial calculations, perform the following:</p> <p>a. Obtain a copy of and file the following:</p> <ol style="list-style-type: none"> 1) Plan document(s), including copies of amendments, if any, considered in preparing the actuarial valuation report. 2) Latest actuarial valuation report. (Note: A new valuation is required at least every two years for plans with membership of 200 or more and at least every three years for plans with membership of 200 or less.) 3) Census and plan asset data provided to the actuary. 					
	A,B				
	A				

CITY City of Sample

June 30, 2016

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>b. Determine whether the scope and objectives of the work performed by the actuary are appropriate by reviewing the latest plan documents and compare with key provisions included in the actuarial valuation report. If the report does not include a description of key plan provisions, it may be necessary to confirm the actuary's understanding of such provisions.</p> <p>c. Perform tests of census data provided to the actuary:</p> <ol style="list-style-type: none"> 1) Reconcile aggregate census data, such as the number of employees and covered compensation, to amounts shown in the actuarial valuation report or the actuary's letter. 2) Check selected census data (age, sex, marital status, current pay, term of employment, etc.) to payroll records. Document the items tested. 3) Based on plan documents, make appropriate tests to determine whether all eligible employees are included in the census data provided to the actuary. <p>d. Methods and assumptions used by the actuary:</p> <ol style="list-style-type: none"> 1) Obtain an understanding of the methods and assumptions used by the actuary. NOTE: Understanding may be obtained through review of the actuarial valuation report. If the basis for methods and assumptions is not clear in the report, consider the need to contact the actuary for clarification. 	C				

CITY City of Sample

June 30, 2016

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2) Review the assumptions used by the actuary to determine PEB liabilities for reasonableness, including performing a comparison of the assumptions used with those in preceding periods (e.g. turnover, retirement age, mortality, disability, projected salary increases, inflation rate, medical trend data, investment return). (Include/update documentation of assumptions in the permanent file for trend analysis).</p> <p>e. Inquire of the City as to any intent to terminate the plan.</p> <p>3. If the alternative measurement method was used, perform similar procedures as identified in step 2. (Note: Method is allowed for plans with total membership of less than 100.)</p> <p>4. Determine the appropriate amounts for annual required contribution (ARC), annual OPEB/pension costs and net OPEB/pension obligation.</p> <p>5. Determine the accounting and reporting are in accordance with applicable standards for each of the following:</p> <p>a. Governmental activities.</p> <p>b. Business type activities.</p> <p>c. Enterprise Funds.</p> <p>d. Discretely presented component units.</p> <p>6. Determine disclosures and required supplementary information are made in accordance with the applicable standards. (Note: For cash basis entities electing not to obtain actuarial information, disclosures should include plan description, plan participation and legal/contractual requirements.)</p>	<p>C</p> <p>C,E</p> <p>C,D,E</p> <p>E</p>				

CITY City of Sample

June 30, 2016

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
G. Pension Disclosures (GASB 27 as amended by 50/68) Determine completeness and adequacy of pension disclosures as follows:	C,E				
1. Evaluate and document whether the plan auditor's report and schedule are adequate and appropriate.					
2. Evaluate whether the plan auditor has the necessary competence and independence.					
3. Recalculate City employer contribution amounts, the allocation percentage and the collective pension amounts allocated to the City based on the allocation percentage.					
H. Determine other long-term debt (lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, local option sales tax bonds, nonexchange financial guarantees) is included in the financial statements, if applicable, is properly disclosed and adequate documentation is filed in the workpapers.	E				
I. Prepare workpaper reconciling debt payments shown on the Statement of Indebtedness to the amounts reported in the schedules if not readily apparent in the financial statements. Explain the variances.					
J. Pollution Remediation Obligation					
1. For contaminated or polluted sites, determine if an obligating event has occurred requiring the City to include a liability for a pollution remediation obligation in accordance with GASB 49.	A,B				
2. Determine the measurement and presentation of the liability and expense was made in accordance with GASB 49.	C,D,E				
3. Determine any insurance or other recoveries are properly reported in accordance with GASB 49 as:	C,D,E				
a. education of the liability and expense for unrealized recoveries.					
b. an asset and a reduction of the expense for realized recoveries.					
4. Determine the appropriate disclosures are included in accordance with GASB 49.	E				

CITY City of Sample

June 30, 2016

FUND BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. All authorized restrictions and commitments of the fund balance are properly recorded. (1,2,3)					
B. Components of the fund balance are properly computed and are described, classified and disclosed appropriately in the financial statements. (2,4,10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a fund balance workpaper to determine the fund balance of each fund is separately stated and the unexpended balance of any special fund is properly accounted for.	A,B				
B. Determine each fund is properly classified by type in accordance with GASB Statement No. 54.					
C. Determine if fund balances have been properly classified:	A,B				
1. Nonspendable – permanent endowments or permanent funds (nonspendable portion).					
2. Restricted:					
a. External restrictions (for example, special levies, LOST, bond covenants or State legislation).					
b. Enabling legislation (authorizes governing body to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement the resources be used only for specific purposes).					
3. Committed – Amounts only available to be used for specific purposes determined by a formal action by City Council ordinance or resolution prior to year end.					
4. Assigned – Amounts constrained by the City Council's intent to be used for specific purposes, but are neither restricted or committed.					
5. Unassigned.					
D. Determine the City Clerk's report foots and trace ending balances to fund balance workpaper.					
E. Review ending account balances for material deficits and include comment and footnote disclosure, if appropriate, in report. Document City's plans to eliminate deficits, if any.	B				

CITY City of Sample

June 30, 2016

FUND BALANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
F. Determine special assessments are recorded in the proper fund and review for deficit balances and inactive funds. Recommend necessary transfers, if appropriate.	A				
G. For enterprise funds with deficit balances, determine if there is a net earnings violation (book transfers are made to sinking accounts per the bond/note resolution, but if the operating accounts are in a deficit position, the sinking accounts are not backed by cash) and comment if appropriate.	B				
H. Determine projects are appropriately accounted for in separate capital projects accounts.	B				
I. Review capital projects accounts for inactive accounts and recommend transfers to close these accounts.	B				
J. If a single fund is used to account for risk financing activities, determine whether self-insurance is properly recorded in the General Fund, a Special Revenue Fund or an Internal Service Fund rather than an Agency Fund.	A				
K. Review June 30 fund balances by fund to determine if balances were in excess of current year disbursements.	B				
L. If there are substantial fund balances, inquire of City to determine if it has any specific plans and commitments for the excess balance. Document conference.					
M. Document findings and identify purpose of any contingency.	B				
N. Examine journal entries and other adjustments made directly to the financial statements. (AU-C 240.32 and AU-C 330.21)					
1. Identify and test the appropriateness of significant adjustments made in the preparation of financial statements.					
2. Scan the journal entries throughout the period under audit and determine if testing is necessary. Document the items selected, if any.					
O. Annual Financial Report	A				
1. Reconcile the Annual Financial Report with the City's records.					
2. Investigate variances. Consider adjustments and/or comment for material variances.					

CITY City of Sample

June 30, 2016

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Only revenues available and measurable in this fiscal year have been recorded and are valid. (5,8)					
B. All revenues available and measurable in this fiscal year have been recorded. (6,8)					
C. Revenues have been properly billed or charged and have been recorded at the correct amounts. (7)					
D. Revenues are properly classified, as applicable, in the entity-wide financial statements and/or fund financial statements and related disclosures are adequate. (9,10,11,12,13)					
Audit Procedures:					
A. Property Tax					
1. Confirm total tax receipts by levy directly with the County Treasurer.	A,B,C				
2. Trace distribution to ledger to determine if properly posted.	D				
3. Reconcile any differences.					
4. Determine police and fire retirement, employee benefits or other special tax levy collections were properly recorded in a Special Revenue Fund.					
B. Revenue From Other Governmental Sources					
1. Confirm revenue received from federal, state and county sources and reconcile amounts per confirmation with the general ledger:	A,B,C				
a. Hotel/motel tax.					
b. Road use tax.					
c. Community development block grant.					
d. Local option sales tax.					
e. List grants and others – confirm all material amounts.					
1) _____					
2) _____					
3) _____					
4) _____					
2. Trace amounts per confirmation to deposit and determine if timely.	B,C				

CITY City of Sample

June 30, 2016

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Determine such funds were recorded in the proper fund and were being used for authorized purposes.	D				
C. Special Assessments					
1. Confirm total special assessment receipts by project directly with the County Treasurer and reconcile to the general ledger.	A,B,C				
2. Trace distribution to ledger to determine if properly posted.	D				
3. Reconcile any differences.					
4. Review authorization for each special assessment project.					
D. Enterprise Revenues (Water, Electric, Etc.)					
1. Compare current year receipts with prior years and investigate any material variances from expectations. Document findings.	A,B,C,D				
2. Where charges are based on variable quantities or volume of usage, test records of usage such as meter reader reports.	B				
3. Test computation of billings.	C				
4. Trace collection to cash receipts journal and trace to validated deposit ticket. If collections cannot be traced to deposit, consider additional procedures.	A,B				
5. Determine if a monthly and/or year-end list of delinquent accounts is maintained and obtain a copy of the listing.					
a. If not available, comment accordingly.					
b. If available, apply procedures to determine accuracy and completeness of listing for one month and/or at year-end.					
c. Review listing for large balances and document collection procedures performed by the City.					
6. Determine if delinquent accounts are for City officials, employees or their businesses and document in the workpapers for exit conference discussion. Confidentiality requirements prohibit report disclosures.					

CITY City of Sample

June 30, 2016

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>7. Obtain a copy of established procedures for assessing penalties, instituting shut-offs, etc. on delinquent accounts and ascertain if these procedures have been followed. Include a copy in the permanent file.</p> <p>8. Ascertain authorizations and procedures for write-offs of uncollectible accounts and test any write-offs which have been made during the period under audit.</p> <p>9. Ascertain if a separate file of accounts written-off is maintained and, if so, is it periodically reviewed to determine if these accounts subsequently become collectible.</p> <p>10. Determine if monthly reconciliations of billings and collections are prepared.</p> <p style="padding-left: 40px;">a. If not available, comment accordingly.</p> <p style="padding-left: 40px;">b. If available:</p> <p style="padding-left: 80px;">1) Apply procedures to determine accuracy and completeness of the reconciliation for one month and/or at year-end.</p> <p style="padding-left: 80px;">2) Comment accordingly if variances have not been adequately resolved.</p> <p style="padding-left: 40px;">c. If not available, perform reconciliation procedures for one month and/or at year-end.</p> <p style="padding-left: 40px;">d. For one month, reconcile total collections to posting in receipt journal and to deposits.</p> <p>E. Sale of Bonds/Notes</p> <p style="padding-left: 40px;">1. Review authorization for issuance.</p> <p style="padding-left: 40px;">2. Determine bonds sold were properly recorded and trace proceeds to cash receipts record and bank statement.</p> <p>F. General</p> <p style="padding-left: 40px;">1. On a test basis, foot and crossfoot the cash receipts journal and trace total to Clerk's report.</p> <p style="padding-left: 40px;">2. Scan ledgers or receipts detail for unusual receipts. Investigate accordingly.</p>	<p>A,B,C</p> <p>C</p> <p>A,B,C</p> <p>A,B,C</p>				

CITY City of Sample

June 30, 2016

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Determine if additional testing is required and, if so, select receipts for testing and perform the following: <ul style="list-style-type: none"> a. Determine receipt number, from whom received, purpose and amount. b. Trace posting to cash receipts journal. c. Determine if account classification is correct. d. Vouch to supporting documentation, if available. e. Trace to validated deposit ticket. f. Determine if deposit is made intact on a timely basis. g. Determine receipts from the sale of licenses, permits or other fees were charged at the proper rate. 	A,B,C,D				
G. Scan deposit tickets and evaluate reasonableness of amounts of currency deposited, considering the types of revenues expected to be received in currency.	B				
H. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
I. Determine whether receipts are properly classified and disclosures are adequate.	D				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					

CITY City of Sample

June 30, 2016

RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for revenues and receipts and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

CITY City of Sample

June 30, 2016

DISBURSEMENTS/EXPENDITURES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Recorded expenditures and cash disbursements are for goods or services authorized and received. (5) B. Expenditures incurred for goods or services have all been identified. (6) C. Expenditures for goods or services have been recorded in the correct fiscal year. (8) D. Expenditures for goods or services and related disbursements have been recorded correctly as to account, fund, period and amount. (7,9) E. Expenditures for goods or services are properly presented, as applicable, in the entity-wide and/or fund financial statements and related disclosures are adequate. (10,11,12,13) Audit Procedures: A. General 1. On a test basis, foot and crossfoot the cash disbursements journal and trace total to the Clerk's report. 2. Scan disbursement journal for unusual disbursements. Investigate accordingly. 3. Credit cards: a. Determine if the City has established a written policy for the use of credit cards. b. If activity is significant, test selected transactions for propriety and compliance with the policy. 4. Schedule all related party transactions with City officials or employees for comment in accordance with Chapter 362.5 of the Code of Iowa. The workpaper should list all payments made during the period and a description of each transaction. For reporting purposes, include all payments applicable to the period when the individual was an employee or official of the City. Disclose material transactions in the notes to financial statements. B. Disbursements 1. Select disbursements for testing the following items:					
	A				
	A,E				
	A,B,C,D				

CITY City of Sample

June 30, 2016

DISBURSEMENTS/EXPENDITURES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> a. Disbursement was properly authorized and approved for payment. b. Disbursement was charged to the proper fund. c. Disbursement was charged to the proper disbursement account. d. Disbursement was supported by invoice or contract which was mathematically correct. e. Invoice or other documentation was canceled to prevent reuse. f. Canceled checks or electronically retained check images are properly endorsed and canceled. g. Disbursements for capital assets are included on the capital asset listing, if applicable. h. Signatures were authorized per confirmed list from bank. i. The disbursement appears to meet the test of public purpose. For those items which are questionable, the City should have adequate documentation as to how the expenditure(s) meet the test of public purpose. j. The disbursement is proper under federal laws and regulations, if applicable. 					
2. On a test basis, prepare a workpaper for capital projects and other construction contracts to: <ul style="list-style-type: none"> a. Reconcile original contract to final contract. b. Reconcile total payments to-date by scheduling prior year payments, current year payments, payments due and retainage due. c. Determine projects and contracts were authorized and approved by the governing body. 	A,D				
C. Internal Service Funds <ul style="list-style-type: none"> 1. Through analytical procedures or scanning, determine if disbursements appear to be in accordance with the purpose of the fund. 					

CITY City of Sample

June 30, 2016

DISBURSEMENTS/EXPENDITURES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2. Determine expenditures from operating funds to Internal Service Funds are correctly charged against the budget.</p> <p>3. For each Internal Service Fund, reconcile total revenues in the Internal Service Fund to contributions or transfers from the operating funds.</p> <p>D. Inquire of management and, when appropriate, those charged with governance, as to the existence of any agreements containing confidentiality clauses.</p> <p>1. Determine if legal counsel agreed to the insertion of the clauses.</p> <p>2. Determine if the agreements were properly approved by the City Council.</p> <p>3. Review the funding source for the payment(s) made under the agreements.</p> <p>E. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p>F. Determine whether disbursements are properly classified and disclosures are adequate.</p> <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p>	A,B				
	E				

CITY City of Sample

June 30, 2016

DISBURSEMENTS/EXPENDITURES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for disbursements and expenditures and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

CITY City of Sample

June 30, 2016

PAYROLL

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Payroll (wages, salaries, and benefits) disbursements are supported and made only for work authorized and performed. (5,6)					
B. Payroll is computed using rates and other factors in accordance with contracts. (7)					
C. Payroll is recorded correctly as to amount and period and distributed properly by account, fund and budget category and disclosures are adequate. (7,8,9,10,11,12,13)					
Audit Procedures:					
A. On a test basis, foot and cross-foot payroll records and trace total to appropriate document(s). Document selection methods and results of tests.	A				
B. On a test basis, select payroll transactions from throughout the year to test:	A,B,C				
1. Authorization for gross pay or hourly rate.					
2. Approval of hours worked.					
3. Accuracy of number of hours paid per payroll journal to hours worked per approved timesheet (for hourly employees).					
4. Accuracy of calculations of gross pay.					
5. Accuracy of computation of FICA and IPERS and other retirement contributions withheld. (The following FICA rates were effective January 1, 2016: Employee and employer rate of 7.65%). (Effective July 1, 2015, the regular employee IPERS rate was 5.95% and the employer rate was 8.93% and the protection occupation IPERS rate was 6.56% for employees and 9.84% for employers.)					
6. Reasonableness of computation of federal and state withholding.					
7. Authorization for payroll deductions.					
8. Endorsement and cancellation of check are proper.					
C. Determine timesheets are prepared and approved for all employees, including salaried employees.	A				
D. Consider analytical procedures to substantiate payroll amounts and withholdings.	A,B,C				

CITY City of Sample

June 30, 2016

PAYROLL

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
E. Review copies of payroll tax returns and document reconciliation of gross wages and the City share of FICA and IPERS to disbursements records. Explain material variances.	C				
F. Prepare a workpaper documenting total City contributions to IPERS.	C				
G. For retirement systems other than IPERS:					
1. Review and update permanent file information on pension plans. Identify and document the type of plan.					
2. For accrual basis and cash basis cities which obtain an actuarial report, obtain copy of actuarial report and review. Include copy of pertinent data in file.					
3. Determine employee groups covered by each plan.					
4. Obtain and verify appropriate information for disclosure.	C				
H. Compensated Absences					
1. Review the City's policies for earned vacation, sick leave and related FICA/IPERS benefits.					
2. Obtain or prepare summary of compensated absences at June 30.	A,C				
3. Determine the amounts have been determined in accordance with the provisions of GASB 16, including related fringe benefits.	C				
I. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
J. Determine whether payroll and related compensated absences are properly classified and disclosures are adequate.	C				

CITY City of Sample

June 30, 2016

TRANSFERS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. All transfers have been identified, adequately supported and properly authorized. (5,6) B. Transfers are recorded in the proper time period under audit and are correct as to accounts and amounts recorded. (7,8) C. Transfers are properly classified and disclosures are adequate. (9,10,11,12,13) Audit Procedures: A. Obtain or prepare a schedule of all fund transfers during the year. B. Identify and document the date and purpose of each transfer and trace to supporting documentation. Document description on workpaper. C. Determine transfers-in equal transfers-out. D. Determine transfers were recorded in the proper fund and proper period. E. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures. F. Determine whether transfers are properly classified and disclosed.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>	A				
	A,C				
	B				
	C				

CITY City of Sample

June 30, 2016

TRANSFERS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for transfers and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

CITY City of Sample

June 30, 2016

BUDGET

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives: A. The annual operating budget, and amendments thereto, are properly prepared, documented and approved. B. Budgetary comparisons are properly included in the appropriate financial statements and schedules of governmental funds for which an annual budget has been adopted. Audit Procedures: A. Obtain a copy of the adopted budget certificate summary. B. Obtain a copy of each notice, record of hearing and certificate to amend the current budget, including the purpose of the amendment. C. Determine accuracy of budget amendments (i.e., figures in "Last Budget as Certified or Last Amendment" column are correct and amounts in each applicable program crossfoot). D. Prepare a workpaper to compare disbursements by function with the budget or amended budget and document and disclose any over-expenditures in the notes to financial statements and audit comment section. E. Document reason(s) for significant variance(s) between budgeted and actual receipts/revenues. F. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures. <u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
	A				
	A				
	A				
	A,B				

CITY City of Sample

June 30, 2016

BUDGET

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for budget and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

CITY City of Sample

June 30, 2016

INSURANCE AND SELF INSURANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Claims paid in the period are recorded correctly as to account, amount and period and are disbursed in accordance with the City's policies and procedures for claims settlement. (5,6,7,8)					
B. Insurance (self-insurance) receipts, disbursements, transfers and fund balance are properly classified and described in the financial statements and related disclosures are adequate. (9,10,11,12,13)					
Audit Procedures:					
A. Inquire about the City's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks, or only for excess liabilities.					
B. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to:	B				
1. Determine if reasonable and current.					
2. Determine significant areas in which risk is retained.					
C. If a separate insurance fund has been established, consider analytical procedures, such as comparing claims expenditures and other fund transactions (i.e. employee contributions, insurance premiums and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable).	A				
D. If an outside administrator or service company is used:	A,B				
1. Obtain a copy of the annual report on the status of the program.					
2. Compare report with prior periods and discuss any unusual variances with a responsible official.					
3. Determine if unexpended balances on hand with outside administrator/service company should be included as cash balances of the City.					

CITY City of Sample

June 30, 2016

SEPARATELY MAINTAINED RECORDS

Name of entity

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>The Incharge Auditor should prepare an audit program for each entity with separately maintained records, including reported component units, and obtain approval of the Manager prior to performing the audit steps. The program should be prepared in the prescribed format, specifying audit objectives, audit procedures, alternate procedures, conclusions and sign-offs. This can also be documented in the City's audit program, but it should be clearly documented.</p>					

CITY City of Sample

June 30, 2016

SINGLE AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>Audit Objectives:</p> <p>A. Federal revenues and expenditures are valid and complete and, if applicable, indirect costs are allocated properly.</p> <p>B. Federal revenues and expenditures are properly presented in the financial statements.</p> <p>C. The City has complied with laws and regulations affecting the expenditure of grant funds.</p> <p>Note: Programmatic requirements are unique to each federal program and can be found in the laws, regulations, and provisions of contract and grant agreements pertaining to the program. For programs listed in the Compliance Supplement, the programmatic requirements can be found in Part 4. For those not covered in the Compliance Supplement, review Part 7 of the supplement.</p> <p>Note: The following audit program steps were developed utilizing Part 3.2 of the 2016 Compliance Supplement.</p> <p>Note: The following guidance for the Schedule of Expenditures of Federal Awards (SEFA) is from the 2016 Compliance Supplement, Part III of Appendix VII relating to the American Recovery and Reinvestment Act (ARRA).</p> <p>Recipients and subrecipients covered by the Single Audit Act Amendments of 1996 and 2 CFR part 200, subpart F, must, must separately identify the expenditures for Federal awards under ARRA on the SEFA and the Data Collection Form (SF-SAC). This shall be accomplished by identifying expenditures for Federal awards made under ARRA separately on the SEFA, and as separate rows under Item 1 of Part II on the SF-SAC by CFDA number, and inclusion of the prefix "ARRA - " in identifying the name of the Federal program on the SEFA and as the first characters in Item 1, column d of Part II, "Name of Federal Program," on the SF-SAC.</p> <p>Audit Procedures:</p> <p>A. Review applicable reference material:</p> <ol style="list-style-type: none"> The Uniform Guidance. CFR Part 200, Appendix X1 Compliance Supplement. Compliance Audits (AU-C 935). 					

CITY **City of Sample****June 30, 2016****SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> 4. GAO Government Auditing Standards (the Yellow Book), 2011 revision. 5. AICPA Audit Guide, Audits of State and Local Governmental Units. 6. OMB Catalog of Federal Domestic Assistance. 7. Applicable sections of the Code of Federal Regulations. 8. Council on Financial Assistance Reform (COFAR) Frequently Asked Questions (FAQs). 					
<p>B. Obtain or prepare a Schedule of Expenditures of Federal Awards. If prepared by auditor, determine Independence will not be impaired. The schedule should include:</p> <ul style="list-style-type: none"> 1. Federal grantor or pass-through agency, if applicable. 2. Program name. 3. CFDA number. 4. Grant number. 5. Program or award amount. 6. Program disbursements/expenditures (for cash awards) or the value of non-cash assistance (for non-cash awards). 7. All programs completed and/or terminated during the year and all programs open without monies being received or expended during the audit period. 8. Any program with funding under the American Recovery and Reinvestment Act (ARRA) must be listed separately and include the prefix "ARRA - " in the federal grant program name. 	A				
<p>C. Determine each program's name and CFDA number reported in the Schedule of Expenditures of Federal Awards agrees with the CFDA Agency Program Index.</p>					
<p>D. Reconcile appropriate amounts on the Schedule of Expenditures of Federal Awards to amounts in the financial statements and to amounts in the accounting records and document accordingly.</p>	A,B				

CITY **City of Sample****June 30, 2016****SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
E. Determine the issue date of each federal award and which federal requirements apply. (pre Uniformed Guidance or post Uniform Guidance) Note: If award was issued on or after December 26, 2014, including incremental funding actions on previously made awards, Uniformed Guidance requirements would apply.					
F. For each major program, obtain the following information: 1. Grant agreement, application or pass-through agreement and any amendments. 2. Pertinent correspondence, including budget and program modifications. 3. Financial reports. 4. Reference material for clarification of grant/program audit objectives and compliance requirements. 5. Identification of subrecipients, if applicable. 6. Basis of accounting. 7. Contact person. 8. Account codes used to account for program activities. 9. Names and addresses of grantors (direct and indirect).	A				
G. Include copies of pertinent information relating to major programs in the permanent file.					
H. Search for unlisted federal programs not previously identified.	A				
I. Review prior year audit reports to determine the nature of previous findings and questioned costs. Document the status, which will be included in the City's report in a Summary Schedule of Prior Audit Findings.	C				
J. If applicable, send a letter of understanding to the cognizant agency.					
K. Compliance testing for major programs: 1. Test compliance with applicable compliance requirements. (See following separate audit program sections.) 2. Review Compliance Supplement for any special tests and provisions and perform appropriate procedures to ensure compliance.	C				

CITY **City of Sample****June 30, 2016****SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>3. Report the following items in Part III of the Schedule of Findings and Questioned Costs in accordance with the Uniform Guidance (2 CFR 200.516):</p> <ul style="list-style-type: none"> a. Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. b. Material non-compliance with the provisions of laws, regulations, contracts or grant agreements related to a major program. c. Known or likely questioned costs which are greater than \$25,000 for a type of compliance requirement for a major program. (Should include information to provide proper perspective for judging the prevalence and consequences of the questioned costs) d. Known questioned costs, which are greater than \$25,000 for a type of compliance requirement for a federal program, which is not audited as a major program. (Note: except for audit follow-up, the auditor is not required to perform audit procedures for such federal programs) e. The circumstances concerning why the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as findings. f. Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as a finding. g. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding. <p>4. Report other findings in Part IV of the Schedule of Findings and Questioned Costs.</p> <p>The following applicable compliance requirements should be tested in conjunction with the other tests of detail or through other appropriate tests:</p>					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>A. ACTIVITIES ALLOWED OR UNALLOWED:</p> <ol style="list-style-type: none"> 1. Identify the types of activities allowed and unallowed for the program(s) tested. 2. If allowability is determined based upon summary level data, verify allowability of the activity and that individual transactions were properly classified and accumulated into the activity total. 3. If allowability is determined based upon individual transactions, select a sample of transactions and verify allowability of the activity. Be alert for any large dollar transfers from program accounts, which may have been used to fund unallowable activities. <p>B. ALLOWABLE COSTS/COST PRINCIPLES:</p> <ol style="list-style-type: none"> 1. For transactions selected which involve federal funds determine whether the costs meet the following criteria: <ol style="list-style-type: none"> a. Costs were necessary and reasonable for the performance of the Federal award and allocable to the federal award under the principles in 2 CFR part 200, subpart E. b. Conform to any limitations or exclusions set forth in 2 CFR part 200, subpart E, or in the Federal award as to types or amount of cost items. c. Consistent with policies and procedures that apply uniformly to both federal and non-federal activities of the City. d. Not allocable to or included as a direct cost of a federal program if the same or similar costs are allocated to the Federal award as an indirect cost. e. Not included as a cost or used to meet cost sharing or matching requirements of another federally supported activity in either the current or a prior period. f. Supported by underlying documentation. g. Determined in conformity with general accepted accounting principles, except, as otherwise provided for in 2 CFR part 200. 					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2. If unallowable direct costs have been identified, determine whether “directly associated costs” have also been charged.</p> <p>3. Determine costs were approved by the federal awarding agency if required, or in accordance with 2 CFR section 200.407 for selected items of costs.</p> <p>4. Determine costs did not consist of improper payments including:</p> <p style="padding-left: 20px;">a. Payments which should not have been made or were for incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative or other legally applicable requirements.</p> <p style="padding-left: 20px;">b. Payments which do not account for credit for applicable discounts.</p> <p style="padding-left: 20px;">c. Duplicate payments.</p> <p style="padding-left: 20px;">d. Payments to an ineligible party or for an ineligible good or service.</p> <p style="padding-left: 20px;">e. Payments for goods and services not received (except where authorized by law).</p> <p>5. If the City is using a De Minimis indirect cost rate:</p> <p style="padding-left: 20px;">a. Determine the City has not previously claimed indirect costs on the basis of a negotiated rate. Auditors are required to test only for the three fiscal years immediately prior to the current audit period.</p> <p style="padding-left: 20px;">b. Test selected transactions for conformance with 2 CFR section 200.414 (f).</p> <p style="padding-left: 40px;">1) Verify the de minimis rate was used consistently, the rate was applied to the proper base and amounts claimed were the product of applying the rate to a modified total direct costs base.</p> <p style="padding-left: 40px;">2) Verify the costs included in the base are consistent with the costs included in the base year, i.e. verify current year modified total direct costs do not include costs items that were treated as indirect costs in the base year.</p>					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>c. Determine if the City's use of the de minimis rate resulted in the City double-charging or inconsistently charging costs as both direct and indirect.</p> <p>6. Cost Allocation Plans/Indirect Cost Rate Agreements</p> <p>Determine whether material indirect costs or centralized or administrative services are being charged to federal programs. If such costs are being charged, perform the following procedures:</p> <p>a. Obtain and read the Indirect Cost Rate Agreement (ICRA) and/or the current Cost Allocation Plan (CAP) and determine the types of rates and procedures required.</p> <p>b. Determine the terms of the allocation plan and/or rate agreement in effect (i.e., predetermined, fixed with carryforward provisions or provisional/final)</p> <p>c. Verify the methods of charging costs to federal awards are in accordance with the provisions of the approved Indirect Cost Rate Proposal (ICRP) or CAP, or prepared ICRP or CAP, on file.</p> <p>d. Determine whether the CAP or ICRP includes the required documentation in accordance with 2 CFR part 200, Appendix VII, paragraph D or Appendix V, paragraph E, as applicable.</p> <p>e. If the City does not have a negotiated ICRA, determine whether documentation exists to support costs. Report Question Costs if no support.</p> <p>f. If ICRP is not complete, consider whether interim testing is necessary of the costs charged to the cost pools and the allocation bases to minimize questioned costs, if any.</p> <p>g. Examine claims submitted to the federal agency for reimbursement. Determine if the amounts charged and rates used are in accordance with the plan and if rates are being applied to the appropriate base.</p>					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>h. Review, on a test basis, supporting documentation to determine whether:</p> <ol style="list-style-type: none"> 1) The indirect cost pool or centralized service costs contain only allowable costs in accordance with 2 CFR part 200. 2) The methods of allocating the costs are in accordance with the provisions of 2 CFR part 200, other applicable regulations and negotiated agreements. 3) Employee time report system results are mathematically and statistically accurate, allowable and properly allocated to the various functional and programmatic activities to which the salary and wage costs are charged. 4) If ICRP uses the multiple allocation base method, test statistical data to determine if the proposed allocation or rate bases are reasonable, updated as necessary and do not contain any material omissions. 5) The indirect costs charged to federal programs are supported by amounts recorded in the accounting records from which the most recently issued financial statements were prepared. <p>7. When material charges are made from internal service, central service, pension or similar activities or funds, verify the charges from these activities or funds are in accordance with the 2 CFR part 200:</p> <ol style="list-style-type: none"> a. For activities accounted for in separate funds, ascertain if: <ol style="list-style-type: none"> 1) Net position/fund balances (including reserves) were computed in accordance with cost principles. 2) Working capital was not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs and debt principal costs). 					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>3) Adjustments were made when there is a difference between the revenue generated by each billed service and the actual allowable costs.</p> <p>4) Refunds were made to the federal government for its share of any amounts transferred or borrowed from internal service or central service funds for purposes other than to meet the operating liabilities, including interest on debt, of the fund.</p> <p>b. Verify all users of services were billed in a consistent manner.</p> <p>c. Verify the billing rates exclude unallowable costs.</p> <p>d. Where billing rates are not accounted for in separate funds, verify the billing rates are developed based on actual costs and were adjusted to eliminate profit.</p> <p>e. For organizations which have self-insurance and certain type of fringe benefit program (e.g. pension funds), verify independent actuarial studies appropriate for such activities are performed at least biennially and current costs were allocated based on an appropriate study which is not over two years old.</p> <p>C. CASH MANAGEMENT:</p> <p>1. Review City trial balances for unearned federal revenue and evaluate the size of the balances in relation to the program's needs.</p> <p>2. If an advancement method is used, review the City's system to determine if it is adequate to limit the amount of federal cash to immediate needs.</p> <p>3. If a reimbursement method is used, trace selected transaction to supporting documentation and determine if the City paid for the costs prior to the date of the reimbursement request.</p> <p>4. Determine program income (rebates, refunds, settlements, interest) was disbursed before requesting additional federal cash draws.</p> <p>5. Review records to determine if interest in excess of \$500 per year was earned on advances and whether it was returned to the Department of Health and Human Services Payment Management System.</p>					

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COMPLIANCE REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>6. For loans, loan guarantees, interest subsidies and insurance, perform tests to ascertain if the City complied with applicable program requirements.</p> <p>7. Review selected cash reports submitted by sub recipients and determine if the City implemented procedure to ensure that the time elapsed between transfer of federal funds and disbursement for program purposes was minimized.</p> <p>D. RESERVED</p> <p>E. ELIGIBILITY:</p> <p>1. Individuals:</p> <p>a. For some federal programs with a large number of individuals receiving benefits, the City may use a computer system for the processing of individual eligibility determinations and the delivery of benefits. U.S. generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. When eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the City's computer processing.</p> <p>1) Perform audit procedures relevant to the computer system as needed to support the opinion on compliance for the major program.</p> <p>2) These tests may be performed as part of testing the internal controls for eligibility.</p> <p>b. For split eligibility functions, determine that testing for internal controls and compliance objectives are performed regardless of whether the State performs part of the determination.</p> <p>c. Perform procedures to determine completeness of the population.</p> <p>d. Select a sample of individuals receiving benefits and perform tests to determine if the:</p>					

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**SINGLE AUDIT
COMPLIANCE REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>1) Individuals were eligible in accordance with the compliance requirements of the program. (Note: Some programs have initial and continuing eligibility requirements.)</p> <p>2) Benefits paid to or on the behalf of the individuals were calculated correctly and in compliance with the requirements of the program.</p> <p>3) Benefits were discontinued when the period of eligibility expired, or if the person became ineligible.</p> <p>e. Review the quality control process and perform tests to ascertain if it is operating to effectively meet the objectives of the process and in compliance with applicable program requirements.</p> <p>2. Group of Individuals or Area of Service Delivery:</p> <p>a. Test information used in determining eligibility and determine if the population or area of service delivery was eligible.</p> <p>b. Perform test to determine if:</p> <p>1) The population or area served were eligible.</p> <p>2) The benefits paid to or on behalf of the individuals or area of service delivery were calculated correctly</p> <p>3. Subrecipients:</p> <p>a. If the determination of eligibility is based on an approved application or plan, obtain a copy of the document and identify the applicable eligibility requirements.</p> <p>b. Select a sample of the awards to the subrecipients and perform procedures to verify that the subrecipients were eligible and amounts awarded were within funding limits.</p>					

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COMPLIANCE REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>F. EQUIPMENT AND REAL PROPERTY:</p> <p>1. Inventory Management:</p> <p>a. Identify equipment acquired under federal awards during the audit period and trace selected purchases to the property records. Verify the property records contain the following information about the equipment:</p> <p>1) Description (including serial numbers or other identification numbers).</p> <p>2) Source.</p> <p>3) Title holder.</p> <p>4) Acquisition date and cost.</p> <p>5) Percentage of federal participation in the cost.</p> <p>6) Location.</p> <p>7) Condition.</p> <p>8) Ultimate disposition data, including the date of disposal, sale price or method used to determine fair market value.</p> <p>b. Inquire if a required physical inventory of equipment acquired under federal awards was taken within the last two years. Test whether any differences between the physical inventory and equipment records were resolved.</p> <p>c. Select a sample of equipment identified as acquired with federal awards from the property records and observe the equipment to ensure equipment is appropriately safeguarded and maintained.</p> <p>2. Disposition of Equipment</p> <p>a. Determine the amount of equipment dispositions for the year and identify equipment acquired with federal awards.</p> <p>b. Perform procedures to verify the dispositions were properly reflected in the property records.</p> <p>c. For equipment with a current per-unit fair market value in excess of \$5,000, determine whether the awarding agency was reimbursed for the appropriate federal share.</p>					

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COMPLIANCE REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>d. For dispositions of equipment acquired under cost-reimbursement contracts, verify the City followed the federal awarding agency disposition instructions.</p> <p>3. Disposition of Real Property:</p> <p>a. Determine real property dispositions for the audit period and identify property acquired with federal awards.</p> <p>b. Perform procedures to verify the City followed the instructions of the awarding agency, which will normally require reimbursement to the awarding agency of the federal portion of net sales or fair market value at the time of disposition, as applicable.</p> <p>G. MATCHING, LEVEL OF EFFORT, EARMARKING:</p> <ul style="list-style-type: none"> • <u>Matching</u> - includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal awards. Match may be in the form of cash or in-kind contributions. • <u>Level of Effort</u> - includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-federal or federal sources for specified activities to be maintained from period to period and (c) federal funds to supplement and not supplant non-federal funding of services. • <u>Earmarking</u> - includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. <p>Matching:</p> <p>1. Perform test to verify the required matching contributions were met.</p> <p>2. Determine the sources of matching contributions and perform tests to verify they were from an allowable source.</p>					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>3. Test records to corroborate the value placed on in-kind contributions are in accordance with 2 CFR sections 200.306, 200.434 and 200.414, and the terms and conditions of the award.</p> <p>4. Test transactions used to match for compliance with allowable costs/cost principles requirements. This test may be performed in conjunction with the testing of the requirements related to allowable cost/cost principles.</p> <p>Level of Effort:</p> <p>1. Identify the required level of effort and perform tests to verify the level of effort requirement was met.</p> <p>2. Perform tests to verify only allowable categories of expenditures or other effort indicators (e.g., hours, number of people served) were included in the computation and the categories were consistent from year to year.</p> <p>3. Perform procedures to verify the amounts used in the computation were derived from the books and records from which the audited financial statements were prepared.</p> <p>4. Perform procedures to verify the non-monetary effort indicators were supported by official records.</p> <p>Level of Effort - Supplement not Supplant:</p> <p>1. Determine if the City used federal funds to provide services which it was required to make available under federal, state or local law and were also made available by funds subject to the supplement not supplant requirement.</p> <p>2. Determine if the City used federal funds to provide services which were provided with non-federal funds in prior years.</p> <p>a. Identify the federally funded services.</p> <p>b. Perform procedures to determine whether the federal program funded services that were previously provided with non-federal funds.</p> <p>c. Perform procedures to determine if the total level of services applicable to the requirement increased in proportion to the level of federal contribution.</p>					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>Earmarking:</p> <ol style="list-style-type: none"> 1. Identify the applicable percentage or dollar requirements for earmarking. 2. Perform procedures to verify the amounts recorded in the financial records meet the specified requirements (e.g. minimum amounts determine the records show at least the minimum was charged). 3. When requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount. 4. When requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity were not improperly classified in another account. (e.g. If administrative costs are limited to 10%, review other accounts charged to the activity for administrative expense which, if incorrectly coded, would cause the maximum percentage to be exceeded). 5. When requirements prescribe the minimum number or percentage of specified types of participants that can be served, select a sample of participants that are counted toward meeting the minimum requirement and perform test to verify that they were properly classified. 6. When requirements prescribe the maximum number or percentage of specified types of participants that can be served, select a sample of other participants and perform test to verify that they were not of the specified type. <p>H. PERIOD OF PERFORMANCE:</p> <ol style="list-style-type: none"> 1. Review the award documents and regulations pertaining to the program and determine any award specific requirements related to the period of performance and document the performance period. 2. Test a sample of transactions charged to the federal award after the end of the period of performance and verify the underlying obligations occurred within the period of performance and the payment was made within the allowed time period. 					

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COMPLIANCE REQUIREMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>3. Test selected transactions for the following:</p> <p>a. For costs recorded during the beginning of the period of performance, verify costs were not incurred prior to the start of the period of performance unless authorized by the Federal awarding agency or the pass-through entity.</p> <p>b. For costs recorded during or near the end of the period of performance, verify obligations occurred within the period of performance.</p> <p>4. Select a sample of adjustments to the federal funds and verify these adjustments were for transactions that occurred during the period of performance.</p> <p>I. PROCUREMENT AND SUSPENSION AND DEBARMENT:</p> <p>1. Obtain the City's procurement policies and verify the policies comply with applicable federal requirements.</p> <p>2. Determine the City has written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts.</p> <p>3. Determine if the City has a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. If such policy exists, verify these limitations were not applied to federal procurements except where applicable federal statutes expressly mandate or encourage geographical preference.</p> <p>4. Select a sample of procurements and perform the following:</p> <p>a. Examine contract files and verify they document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis of contract price.</p> <p>b. Verify procedures provide for full and open competition.</p> <p>c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and determine if the limitation was justified.</p>					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>d. Examine contract files and determine a cost or price analysis was performed in connection with procurement actions exceeding the simplified acquisition threshold, including contract modifications and the procurement action taken.</p> <p>e. Verify the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR section 200.320. The five methods of procurement are as follows:</p> <ol style="list-style-type: none"> 1) Micro-purchases: Less than \$3,000 or \$3,500 effective October 1, 2015 (\$2,000 for purchases subject to the Davis-Bacon Act) – No competitive quotes required. Spread purchases out among qualified suppliers. 2) Small purchases: Between \$3,000 and \$150,000 – Rate quotes must be obtained from an “adequate” number of qualified sources. (“adequate” is not specifically defined by The Uniformed Guidance) Quotes can be obtained from suppliers or from public websites. 3) Sealed bids: More than \$150,000 (construction projects) – Two or more qualified bidders. Publicly advertised and solicited from adequate suppliers. Lowest responsive and responsible bidder for the fixed price contract wins. 4) Competitive proposals: More than \$150,000 – Written policy for conducting technical evaluations of reviewing proposals and selecting the recipient. Most advantageous bid wins, price and other factors considered. 5) Sole source: Any amount. Must meet one of the following four requirements: <ol style="list-style-type: none"> a) Good/service is only available from a single source. b) Only one source can provide the good/service in the time-frame required. 					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> c) Written pre-approval from the Federal awarding agency. d) Competition is deemed inadequate after solicitation attempts through one of the other methods. f. Verify consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract specified in 48 CFR section 52.244-2. <p>5. Test a sample of procurements and subawards to determine if the City performed a verification check for covered transactions by checking the System for Award Management (SAM) website (www.sam.gov), collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.</p> <p>6. Test a sample of procurement and subawards against SAM and determine if contracts or subawards were awarded to suspended or debarred parties.</p> <p>J. PROGRAM INCOME:</p> <ul style="list-style-type: none"> 1. Identify any program income. <ul style="list-style-type: none"> a. Review laws, regulations and the provisions of contract and grant agreements applicable to the program and determine if program income was anticipated and, if so, the requirements for recording and using program income. b. Inquire of management and review accounting records to determine if program income was received. 2. Perform tests to verify that program income was properly determined or calculated in accordance with stated criteria and classified as program income only if collected from allowable sources. 3. Perform tests to verify all program income was properly recorded in the accounting records. 4. Perform tests to determine if program income was used in accordance with the program requirements. 					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
K. RESERVED					
L. REPORTING:					
1. Review applicable laws, regulations and the provisions of contract and grant agreements pertaining to the program for reporting requirements.					
2. Determine the types and frequency of required reports.					
3. Obtain and review federal awarding agency, or pass-through entity in the case of a subrecipient, instructions for completing the reports.					
a. For financial reports, determine the accounting basis used in reporting the data (i.e. cash or accrual).					
b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.					
4. Perform appropriate analytical procedures and determine the reason for any unexpected differences. Examples of analytical procedures include:					
a. Comparing current period reports to prior periods.					
b. Comparing anticipated results to the data included in the reports.					
c. Comparing information obtained during the audit of the financial statements to the report.					
5. Select a sample of each of the following report types.					
a. Financial reports:					
1) Determine if the financial reports were prepared in accordance with the required accounting basis.					
2) Review accounting records and determine if all applicable accounts were included in the sampled reports.					
3) Trace the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement.					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> b. Performance reports: <ul style="list-style-type: none"> 1) Review supporting records and determine if all applicable data elements were included in the sampled report. 2) Trace data to records that accumulate and summarize data. 3) Perform tests of the underlying data to verify the data were accumulated and summarized in accordance with the required or stated criteria and methodology. c. When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to data. d. Test mathematical accuracy of reports and supporting worksheets. 6. Obtain written representation from management the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the federal awarding agency or pass-through entity in the case of a subrecipient. 					
M. SUBRECIPIENT MONITORING: <ul style="list-style-type: none"> 1. Review the City's subrecipient monitoring policies and procedures to gain an understanding of the process used to identify subawards, evaluate risk of noncompliance and perform monitoring procedures based upon identified risks. 2. Test award documents including the terms and conditions, to determine if the City makes subrecipients aware of the award information sufficient to the City comply with federal statutes, regulations and terms and conditions of the award. 3. Review the City's documentation of monitoring to determine if the City's monitoring procedures provide reasonable assurance that subrecipients used federal funds for authorized purposes and complied with laws and regulations, provisions of contracts and conditions of the subaward. 					

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<p>4. Determine if the City verifies the subrecipient met the requirement to have an audit performed in accordance with the Uniform Guidance, if applicable and requires subrecipients to take appropriate and timely corrective action on deficiencies identified in audit findings.</p> <p>N. SPECIAL TESTS AND PROVISIONS:</p> <p>1. Review the laws, regulations and provisions of grant and contract agreements to identify special tests and provisions.</p> <p>2. Develop procedures to test these requirements.</p>					

CITY City of Sample

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**28E ENTITIES WITH GROSS RECEIPTS
OVER \$100,000**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives: A. To provide for the audit of financial condition and transactions of 28E entities accounted for by the City in accordance with Chapter 11.6 of the Code of Iowa. Audit Procedures: A. Identify any 28E entities the City performs receipt and disbursement functions for which had gross receipts in excess of \$100,000 during the fiscal year. B. Discuss with a responsible official of the 28E's governing body the Code requirement for an audit and determine whether the governing body wants the audit conducted at the same time as the City's audit. <ol style="list-style-type: none"> Document the name of the responsible official and discussion. Obtain the entity's concurrence to conduct the audit. Ask for the concurrence in writing. Governing body action may be required. Discuss billing arrangements. C. If the 28E entity agrees to an audit, perform the following: <ol style="list-style-type: none"> Review and document the entity's internal controls. Minutes <ol style="list-style-type: none"> Review minutes and document significant action, including subsequent events. Determine and document whether minutes were properly signed. Determine, on a test basis, if meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa). Determine if the minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa. Determine if the minutes document the governing body followed proper proceedings for any closed sessions. (Chapter 21.5 of the Code of Iowa). <ol style="list-style-type: none"> The session was closed by affirmative roll call vote of at least two-thirds of the members. 	A				

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**28E ENTITIES WITH GROSS RECEIPTS
OVER \$100,000**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>2) The specific exemption under Chapter 21.5 of the Code of Iowa was identified and documented.</p> <p>3) Final action was taken in open session.</p> <p>f. Determine, on a test basis, if the 28E entity on furnished a summary of the proceedings to be submitted for publication to the newspaper within 20 days following the adjournment of the meeting in accordance with Chapter 28E.6(3) of the Code of Iowa and included:</p> <p>Note: Publication is not required, if in the prior fiscal year the 28E entity had a cash balance of less than \$100,000 AND total expenditures were less than \$100,000; however, the entity shall file, in an electronic format, the information below with the office of the county recorder.</p> <p>1) A schedule of bills allowed.</p> <p>2) A list of all salaries paid for services performed, but salaries for persons regularly employed by the entity shall only be published annually.</p> <p>3) Review and test receipts, disbursements, payroll and any other significant transaction cycles as considered necessary. If payroll is not processed with the City's payroll system, review payroll withholdings and quarterly reports.</p> <p>D. For 28E entities other than landfills, prepare a separate statement of changes in assets and liabilities for inclusion in the City's audit report. (Although optional, due to the nature of landfills and the difficulties in determining compliance with GASB 18 and Department of Natural Resources' requirements, it is strongly recommended 28E landfill reports be issued under separate cover.)</p> <p>E. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p>					

A

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Written representations have been obtained from responsible officials. B. Misstatements discovered during the audit have been evaluated. C. Financial statements are fairly presented and disclosures are adequate. (10,11,12,13) D. The effect on the auditor's report of GAAP departures, scope limitations, uncertainties, other auditors, or other matters has been evaluated. E. Significant deficiencies and material weaknesses have been summarized and communicated to the appropriate parties. F. Significant commitments, contingencies and subsequent events that may require disclosure have been identified. (10,11,12,13) Audit Procedures: A. Inquire as to whether all funds have been brought to our attention. B. Identify any commitments, contingencies and subsequent events that may require disclosure. <ol style="list-style-type: none"> 1. In connection with litigation and claims, perform the following procedures: <ol style="list-style-type: none"> a. Obtain from City officials a description and evaluation of litigation and asserted and unasserted claims. b. Examine documents in the City's possession concerning the above matters. c. Review invoices for legal services and consider whether any other matters in addition to the above were disclosed during the course of the audit. d. Review attorney's letter for matters requiring disclosure. 2. Complete review of minutes through the end of fieldwork for subsequent events. 3. Inquire of City officials about existence of material subsequent transactions or events and significant matters unresolved at year end. 					
	F				
	F				

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>4. Scan records subsequent to period under audit for significant unusual receipts, payments and non-standard entries.</p> <p>C. Determine if footnote disclosure is needed and obtain documentation for the following items (For Cities with unusual types of activities, consider reviewing the AICPA disclosure checklist):</p> <ol style="list-style-type: none"> 1. Lease commitments (capital and operating leases). 2. Construction commitments. 3. Contracts. 4. Termination benefits. 5. OPEB and pension benefits. 6. Subsequent events. 7. Lawsuits. 8. Claims and judgments. 9. Other commitments and contingencies (including outstanding indebtedness of others guaranteed by the City, moral obligations, conduit debt and no-commitment debt). 10. Health insurance trust. 11. Municipal solid waste landfill. 12. Relationships with organizations other than component units: <ol style="list-style-type: none"> a. Related organizations. b. Joint ventures. c. Jointly governed organizations. d. Component units and related organizations with joint venture characteristics. e. Pools. f. Undivided interests. g. Cost-sharing arrangements. 13. Other pertinent information. <p>D. Summarize and evaluate misstatements noted during the audit, if any.</p> <ol style="list-style-type: none"> 1. Determine whether uncorrected misstatements are material, individually or in the aggregate. Consider the following: (AU-C 450.11) 	F				
	C				
	B				

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> a. The size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole, and the particular circumstances of their occurrence and, b. The effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole. <p>2. In communicating misstatements to management, the auditor should: (AU-C 450.07-.10)</p> <ul style="list-style-type: none"> a. Request management examine the entire class of transactions, account balances or disclosures to identify and correct misstatements in cases where the auditor evaluates the amount of likely misstatement from a sample as material. b. Request management review the assumptions and methods used in developing management's estimates in those cases where the auditor has identified a likely misstatement involving differences in estimates used by management. c. Reevaluate the amount of likely misstatement after management has performed a. and b. above. d. Obtain an understanding of management's reasons for not making corrections of known or likely misstatements and take into account when evaluating if the misstatement is material. <p>E. Document the reconciliation of the financial statements to the accounting records.</p> <p>F. Obtain the City's concurrence for proposed adjusting journal entries.</p> <p>G. Determine and document whether there could be substantial doubt about the City's ability to continue as a going concern. (AU-C 570)</p> <p>H. Determine and document the type of opinion for each opinion unit and on compliance, if applicable. Document reasons for variances from unmodified opinions and discuss the reasons with those charged with governance.</p>					
	C				
	D				
	C,D				

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>I. Summarize significant deficiencies and material weaknesses, including those communicated in previous audits which have not yet been remediated and include in written communication to management and those charged with governance no later than 60 days following the report release date. (AU-C 265.11-.13)</p> <p>1. Indicators of material weaknesses in internal control include the following (AU-C 265..09-.10):</p> <p>a. Identification of fraud, whether or not material, on the part of senior management.</p> <p>b. Restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error.</p> <p>c. Identification by the auditor of a material misstatement in the financial statements under audit in circumstances that indicate the misstatement would not have been detected by the City's internal control.</p> <p>d. Ineffective oversight of the City's financial reporting and internal control by those charged with governance.</p> <p>J. Draft the audit report, including opinions, financial statements, notes, required supplementary information, supplementary information, other information and other reports. Determine preparation of the draft audit report will not impair independence.</p> <p>K. Send the draft financial statements to the City and obtain the City's approval:</p> <p>1. Date sent to City _____</p> <p>2. Date City approved _____</p> <p>L. Perform the following procedures related to supplementary information (SI) as required by AU-C 725.05 and AU-C 725.07:</p> <p>1. Determine all of the following conditions are met when determining the SI presented is fairly stated, in all material respects, in relation to the financial statements as a whole:</p> <p>a. The SI was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.</p>	E				
	C,E				

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> b. The SI relates to the same period as the financial statements. c. The financial statements were audited and the auditor served as the principal auditor in that engagement. d. Neither an adverse opinion or disclaimer of opinion was issued on the financial statements. e. The SI will accompany the City's audited financial statements or such audited financial statements will be made readily available by the City. <p>2. The following procedures should be performed using the same materiality level used in the audit of the financial statements:</p> <ul style="list-style-type: none"> a. Inquire of management about the purpose of the SI and the criteria used by management to prepare the SI. b. Determine whether the form and content of the SI complies with the applicable criteria. c. Obtain an understanding about the methods of preparing the SI and determine whether the methods have changed from those used in the prior year and the reasons for any such changes. d. Compare and reconcile the SI to the underlying accounting and other records used in preparing the financial statements. e. Inquire of management about any significant assumptions or interpretations underlying the measurement or presentation of the SI. f. Evaluate the appropriateness and completeness of the SI considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements. <p>M. Perform the following limited procedures to Required Supplementary Information (RSI), as required by AU-C 730.05:</p> <ul style="list-style-type: none"> 1. Inquire of management about the methods used in preparing the information, including: 					

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ul style="list-style-type: none"> a. Whether RSI has been measured and presented in accordance with prescribed guidelines. b. Whether methods of measurement or presentation changed from those used in the prior year and the reasons for any such changes. c. Whether there are any significant assumptions or interpretations underlying the measurement or presentation of the information. <p>2. Compare the information for consistency with management's responses to the foregoing inquiries, the basic financial statements and other knowledge obtained during the audit of the basic financial statements.</p> <p>N. Review the reasonableness of Management's Discussion and Analysis, which is limited to the following required elements: (GASB 34 par.11)</p> <ul style="list-style-type: none"> 1. A brief discussion of the basic financial statements, including the relationships of the financial statements to each other and the significant differences in the information they provide. 2. Condensed financial information derived from the entity-wide financial statements comparing the current year to the prior year. 3. An analysis of the City's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. 4. An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net position and whether restrictions, commitments or other limitations significantly affect the availability of fund resources for future use. 5. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the General Fund. 					

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>6. A description of significant capital asset and long-term debt activity during the year, including commitments made for capital expenditures, changes in credit ratings and debt limitations that may affect the financing of planned facilities or services.</p> <p>7. If applicable, a discussion of the modified approach to report some or all of the infrastructure assets.</p> <p>8. A description of currently known facts, decisions or conditions expected to have a significant effect on financial position or results of operations.</p> <p>O. For other information included in the audited financial statements (such as the introductory and statistical section in CAFR audits or Management's Discussion and Analysis and budgetary comparison information for cash basis audits) (AU-C 720):</p> <p>1. Read the other information to identify possible material inconsistencies with the audited financial statements or apparent material misstatements of facts and follow the guidance if either is identified.</p> <p>2. Communicate with those charged with governance any procedures performed and the results.</p> <p>P. Determine information presented as other information in the statistical section of a Comprehensive Annual Financial Report (CAFR) complies with GASB 44 requirements.</p> <p>Q. Perform a retrospective review of significant accounting estimates reflected in the prior year financial statements and consider whether the underlying assumptions in the prior year indicate a possible bias on the part of management. Consider whether the results of the review provide additional information about possible bias in making current year estimates. If possible bias is identified, evaluate whether the circumstances represent a risk of material misstatement due to fraud. (AU-C 240.32)</p> <p>R. Determine whether the comparability of the financial statements between periods has been materially affected by a change in accounting principle or by adjustments to correct a material misstatement in previously issued financial statements. (AU-C 708)</p> <p>S. Evaluate and document the business rationale for significant unusual transactions. (AU-C 240.32)</p> <p>T. Perform analytical procedures for overall review of financial statements. Document the consideration of the following:</p>					
	C				
	C				

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<ol style="list-style-type: none"> 1. The adequacy of evidence gathered in response to unusual or unexpected balances identified in planning the audit or in the course of the audit. 2. Unusual or unexpected balances or relationships that were not previously identified. <p>U. Conduct an exit conference with the City. In addition to the City Clerk and Administrator, request the Mayor, a Council Member or the Audit Committee, if applicable, attend. Document communication of:</p> <ol style="list-style-type: none"> 1. Report findings. 2. Non-report findings. 3. Audit and accounting problems which may affect the audit bill. <p>V. Obtain appropriate written representations signed by the Finance Director, Mayor, City Clerk and/or other appropriate personnel.</p> <ol style="list-style-type: none"> 1. Modify, as necessary, for related party/business transactions and federal financial assistance program representations, the work of a specialist, supplementary information, required supplementary information and/or other items. 2. Prepared on City's letterhead. 3. Dated same date as the auditor's reports as determined in AU-C 700.41. <p>W. Complete the budget and time summary including explanation of significant variances from budget and recommendations for next year (if applicable). Note billing instructions if applicable.</p> <p>X. Determine the appropriate date of the auditor's reports. In accordance with AU-C 700.41, the auditor's reports should not be dated earlier than the date on which the auditor has obtained sufficient evidence to support the opinions. Sufficient evidence includes evidence the audit documentation has been reviewed and the financial statements, including disclosures, have been prepared and management has asserted it has taken responsibility for the financial statements.</p> <p>Y. Determine and include footnote disclosures, if necessary, for subsequent events occurring between the end of fieldwork and the date of the auditor's report. (May require verbal update of attorney letter, review of subsequent minutes and auditee inquiry.)</p>	E				
	A				
	F				

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>Z. Major Federal Program Subsequent Events</p> <ol style="list-style-type: none"> 1. Perform procedures up to the report date to identify subsequent events related to the City's compliance during the period covered by the auditor's report on compliance: <ol style="list-style-type: none"> a. Inquire of management. b. Review relevant internal audit reports issued during the subsequent period. c. Review other auditors' reports issued during the subsequent period. d. Review grantors and pass through entities reports issued during the subsequent period. e. Review information about noncompliance obtained through other professional engagements performed for the City. 2. If the auditor becomes aware of noncompliance occurring in the subsequent period of such a nature and significance that its disclosure is needed to prevent report users from being misled, discuss the matter(s) with management and those charged with governance and include an explanatory paragraph describing the nature of the noncompliance in the auditor's report. <p>AA. Submit the Data Collection Form and reporting package to the Federal Clearinghouse within 30 days after issuance of the audit report.</p> <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p>					

CITY City of Sample

June 30, 2016

COMPLETION OF AUDIT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for the completion of the audit and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

CITY City of Sample

June 30, 2016

AUDIT AND ACCOUNTING PROBLEMS

[illegible]

CONFERENCES

[illegible]

CITY City of Sample

June 30, 2016

**SIGNIFICANT FINDINGS
FROM THE AUDIT**

IN ATTENDANCE:

<u>City</u>		<u>Auditor</u>	
Name	Title	Name	Title

The auditor should communicate significant findings from the audit with those charged with governance, including the following matters (AU-C 250.21 and AU-C 260.12 through AU-C 260.14):

(A) Accounting Policies

Significant accounting policies used by the City are described in Note 1 to the financial statements. Except as noted below, no new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. Except as noted below, we noted no instances where an otherwise acceptable accounting practice is not appropriate to the circumstances of the City.

Exceptions:

(B) Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility future events affecting them may differ significantly from those expected. We evaluated key factors and assumptions used in the significant estimates used by the City in determining the reasonableness in relation to the financial statements taken as a whole.

List significant estimates:

(C) Difficulties Encountered in Performing the Audit

Except as noted below, we encountered no significant difficulties in dealing with management in performing and completing our audit.

Exceptions:

CITY City of Sample

June 30, 2016

SIGNIFICANT FINDINGS
FROM THE AUDIT

(D) Nonaudit Services

We have met the requirements for performing nonaudit services under paragraphs 3.37 and 3.39 of the 2011 Yellow Book. Except as noted below, no nonaudit services were provided.

Exceptions:

(E) Uncorrected Misstatements

We have provided management a listing of all uncorrected misstatements identified during the audit in the management representation letter. In our judgment, none of the uncorrected misstatements, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

(F) Disagreements with Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter which could be significant to the financial statements or the auditor's report. Except as noted below, no such disagreements arose during the course of our audit.

Exceptions:

(G) Corrected Misstatements

The following corrected misstatements were brought to the attention of management as a result of the audit procedures performed:

Exceptions:

(H) Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion which may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. Except as noted below, there were no such consultations with other accountants.

Exceptions:

CITY City of Sample

June 30, 2016

SIGNIFICANT FINDINGS
FROM THE AUDIT

(I) Significant Issues

Significant issues arising from the audit which were discussed, or were the subject of correspondence, with management.

List any significant issues:

(J) Comments

We have provided our written comments and recommendations regarding the City's financial statements and operations, including matters involving noncompliance with laws and regulations.

NOTE: Information discussed during the exit conference is confidential until the audit report is released.

Acknowledgement:

Governing Body Representative

Date

June 30, 2016

ITEMS FOR COMMENT-
STATUTORY AND OTHER LEGAL MATTERS

[illegible]

1 – Reported in Findings Related to the Basic Financial Statements.

2 – Reported in Other Findings Related to Statutory Reporting.

CITY City of Sample

June 30, 2016

ITEMS FOR COMMENT

The following guidance should be used by the auditor to evaluate the control deficiencies identified (AU-C 265):

Definitions:

Deficiency in Internal Control – exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Significant Deficiency – a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness – a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Reasonable Possibility – exists when the likelihood of the event is either reasonably possible (chance of future event or events occurring is more than remote but less than likely) or probable (future event or events are likely to occur).

Magnitude – refers to the extent of the misstatement that could have occurred, or actually occurred, since misstatements include both potential and actual misstatements.

Factors which affect the magnitude of a misstatement and might result from a deficiency or deficiencies include, but are not limited to, the following:

- The financial statement amounts or total of transactions exposed to the deficiency.
- The volume of activity (in the current period or expected in future periods) in the account or class of transactions exposed to the deficiency.

Risk factors affect whether there is a reasonable possibility a deficiency, or a combination of deficiencies, will result in a misstatement of any account balance or disclosure. The factors include, but are not limited to, the following:

- The nature of the financial statement accounts, classes of transactions, disclosures and assertions involved.
- The cause and frequency of the exceptions detected as a result of the deficiency, or deficiencies, in internal control.
- The susceptibility of the related asset or liability to loss or fraud.
- The subjectivity, complexity or extent of judgment required to determine the amount involved.
- The interaction or relationship of the control(s) with other controls.
- The interaction with other deficiencies in internal control.
- The possible future consequences of the deficiency, or deficiencies, in internal control.
- The importance of the controls to the financial reporting process.

CITY _____ City of Sample _____

June 30, 2016

ITEMS FOR COMMENT

							Evaluate Internal Control Deficiencies (D/C)						Evaluate Noncompliance (I/N)			Report	
							Material Weakness (if A and B = Yes)				Significant Deficiency		Non-report Deficiency	Non-Compliance			
							A		B		C			In Internal Control	Material?		
W/P Ref	Description	Prior Year		D/C	I/N	CFDA # (s)	Y	N	Y	N	Y	N			Y	N	
		Y	N														

D/C = Deficiency in internal control

I/N = Instances of non-compliance

A = Reasonable possibility a misstatement or noncompliance may occur and not be detected/corrected

B = Magnitude of the potential misstatement is material, either quantitatively or qualitatively

C = Deficiency is less severe than a material weakness, yet merits attention of those charged with governance

When evaluating the above internal controls deficiencies (D/C):

- 1) (AU-C 265.09) Did the auditor determine whether multiple deficiencies which affect the same significant account or disclosure, relevant assertion, or component of internal control (if applicable), may, in combination, constitute a significant deficiency or a material weakness? _____ Yes
- 2) (AU-C 265.10) For a deficiency or combination of deficiencies not considered a material weakness by the auditor, did the auditor consider whether prudent officials having knowledge of the same facts or circumstances, would likely reach the same conclusion? _____ Yes

CITY City of Sample

June 30, 2016

ITEMS FOR NEXT YEAR

[illegible]

AUDIT DIFFERENCE EVALUATION FORM BY OPINION UNIT

Name of City City of Sample
 Opinion Unit _____

Fiscal Year Ended 6-30-16

	Initial	Date
Prepared By		
Reviewed By		

This form should be used to accumulate known audit differences by opinion unit detected by non-sampling substantive tests (including differences in accounting estimates) and projected audit differences from substantive tests that used sampling. A separate Audit Difference Evaluation Form should be maintained for each opinion unit. Use whole dollars only.

			Financial Statements Effect – Amount of Over (Under) Statement of:							
Description (Nature) of Audit Difference	Amount	Work- paper Ref.	Total Assets	Total Liab.	Fund Equity	Revenues	Expend.	Excess of Rev. over Expend. (a)	Working Cap. (b)	Mgr. Appr.
Unadjusted audit differences - this year										
Effect of unadjusted audit differences - last year										
Net audit difference										
Financial statement caption totals										
Net audit differences as a % of F/S captions										

(a) For a proprietary fund type, this column would show the effect on net income. Planning Materiality \$_____

(b) This column would only be used for a proprietary fund type.

Are any of the audit differences identified above indicative of fraud? (If yes, contact the Manager.)

Yes _____ No _____

Are any of the audit differences qualitatively material? (If yes, contact the Manager.)

Yes _____ No _____

Are the audit differences individually or in the aggregate material?

Yes _____ No _____

CITY City of Sample

June 30, 2016

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION****(Cash Basis City)**

A. Independent Auditor's Report on the financial statements:

1. Type of opinion rendered for each opinion unit and reason for modification of opinion, if applicable:

<input type="checkbox"/> Governmental Activities	U	Q	D	A
<input type="checkbox"/> Business Type Activities	U	Q	D	A
<input type="checkbox"/> Major Fund – General	U	Q	D	A
<input type="checkbox"/> Major Fund -	U	Q	D	A
<input type="checkbox"/> Major Fund -	U	Q	D	A
<input type="checkbox"/> Major Fund -	U	Q	D	A
<input type="checkbox"/> Major Fund -	U	Q	D	A
<input type="checkbox"/> Major Fund -	U	Q	D	A
<input type="checkbox"/> Aggregate Remaining Fund Information	U	Q	D	A
<input type="checkbox"/> Aggregate Discretely Presented Component Units	U	Q	D	A

2. Reliance on opinion of other auditors properly included in the Independent Auditor's Report

Y N N/A

3. Supplementary information (SI) accompanying basic financial statements - Include an "in relation to" opinion (AU-C 725) (check if applicable):

☐ Schedules #1 to #___ (including SEFA Schedule – Y or N/A)

4. Prior year information audited by whom and type of opinion(s) rendered (for multiple opinions, please describe in the space below):

Years:

<input type="checkbox"/> _____ AOS	U	Q	D	A
<input type="checkbox"/> _____ Other auditors	U	Q	D	A

5. Other Information (OI) - Disclaim an opinion on the unaudited information (AU-C 720) (check applicable):

☐ MD&A ☐ Budgetary Comparison

☐ Proportionate Share of Net Pension Liability ☐ Contributions Schedule

☐ Other _____

June 30, 2016

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION

(Cash Basis City)

[illegible]

CITY City of Sample

June 30, 2016

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

Y = Yes N = No N/A = Not Applicable

- C. IAR on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards:
- | | | |
|---|-------------------|----------------|
| 1. Instances of material non-compliance | <u>Y</u> <u>N</u> | <u>GF-12's</u> |
| 2. Instances of non-material non-compliance | <u>Y</u> <u>N</u> | <u>GF-12's</u> |
| 3. No instances of non-compliance | <u>Y</u> <u>N</u> | <u>GF-12's</u> |
| 4. Significant deficiencies | <u>Y</u> <u>N</u> | <u>GF-12's</u> |
| 5. Material weaknesses | <u>Y</u> <u>N</u> | <u>GF-12's</u> |
- D. IAR on Compliance with Requirements For Each Major Federal Program and on Internal Control over Compliance Required by Uniform Guidance:
- | | | |
|--------------------------------|-------------------|----------------|
| 1. Instances of non-compliance | See next page | |
| 2. Significant deficiencies | <u>Y</u> <u>N</u> | <u>GF-12's</u> |
| 3. Material weaknesses | <u>Y</u> <u>N</u> | <u>GF-12's</u> |
- E. Because this audit is being conducted under Chapter 11 of the Code of Iowa, Government Auditing Standards and Uniform Guidance, users of the report are presumed to be aware of the conditions under which the report is issued, including the requirement of state law that requires the report to be open to the public.
- F. Dollar threshold used to distinguish between Type A and Type B programs \$ GF-1's
- G. City qualified as low-risk auditee Y N GF-1's

CITY City of Sample**June 30, 2016****OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

Compliance requirements (GF-9s):

	Major Program (CFDA #):				Major Program (CFDA #):			
	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion
A. Activities Allowed or Unallowed	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
B. Allowable Costs/Cost Principles	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
C. Cash Management	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
D. Reserved	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
E. Eligibility	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
F. Equipment and Real Property	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
G. Matching, Level of Effort, Earmarking	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
H. Period of Availability of Federal Funds	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
I. Procurement, Suspension and Debarment	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
J. Program Income	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
K. Reserved	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
L. Reporting	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
M. Subrecipient Monitoring	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
N. Special Tests and Provisions	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A

U = Unmodified MNC = Material noncompliance
 Q = Qualified QC = Questioned Cost > \$25,000
 D = Disclaimer SD = Significant Deficiency
 A = Adverse MW = Material Weaknesses

Y = Yes
 N/A = Not applicable
 NONE = None required to be reported

CITY City of Sample**June 30, 2016****OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**

Compliance requirements (GF-9s):

	Major Program (CFDA #):				Major Program (CFDA #):			
	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion
A. Activities Allowed or Unallowed	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
B. Allowable Costs/Cost Principles	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
C. Cash Management	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
D. Reserved	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
E. Eligibility	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
F. Equipment and Real Property	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
G. Matching, Level of Effort, Earmarking	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
H. Period of Availability of Federal Funds	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
I. Procurement, Suspension and Debarment	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
J. Program Income	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
K. Reserved	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
L. Reporting	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
M. Subrecipient Monitoring	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A
N. Special Tests and Provisions	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A	Y N/A	Y N/A	MNC, QC, SD, MW, NONE	U, Q, D, A

U = Unmodified MNC = Material noncompliance
 Q = Qualified QC = Questioned Cost > \$25,000
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Y = Yes
 N/A = Not applicable
 NONE = None required to be reported

CITY City of Sample

June 30, 2016

**OPINION, DISCLOSURE AND
OTHER REPORT INFORMATION**
SINGLE AUDIT

REPORTING PACKAGES – The following entities are required to receive a reporting package:

- 1) Federal Clearinghouse (through electronic submission)
- 2) Grantor pass-through entities when:
 - The Schedule of Findings and Questioned Costs disclose audit findings related to federal awards the pass-through entity provided and/or,
 - The Summary Schedule of Prior Audit Findings reported the status of any audit findings related to federal awards the pass-through entity provided directly.

List appropriate agencies and their addresses, if any:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

June 30, 2016

CONFIRMATION CONTROL

[illegible]

* If confirmation is not received, alternative procedures are required.

June 30, 2016

WORKPAPER COPIES
GIVEN TO CITY AND
OUTSIDE PARTIES

[illegible]

CITY City of Sample

June 30, 2016

PENDING MATTERS

[illegible]

CITY City of Sample

June 30, 2016

REVIEW NOTES

[illegible]

CITY City of Sample

June 30, 2016

INCHARGE REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
<ol style="list-style-type: none"> 1. Was the scope of our audit in accordance with our audit plan? 2. Have you informed the Manager of all identified problems and internal control weaknesses that resulted in significant modification in the audit program, and have you obtained the Manager's concurrence with the modifications? 3. Have you gathered enough evidence to satisfy the audit program objectives? 4. Are you satisfied the evidence gathered does not disclose suspicions of abuse, fraud, violations of statutory, regulatory and contractual provisions, or other illegal acts other than those noted in the statutory comments of the report? 5. Are you satisfied we have a reasonable basis for the expression of an opinion on each opinion unit and that the workpaper documentation supports the opinion we are expressing on the financial statements? 6. Are you satisfied with the results of the limited procedures performed for required supplementary information, supplementary information and other information, if applicable? 7. Are you satisfied there is not substantial doubt about the City's ability to continue as a going concern, or if there is substantial doubt, the appropriate disclosures were made and an explanatory paragraph was included in the Independent Auditor's Report? 8. Are you satisfied we have a reasonable basis for and the workpapers support our statement in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting for instances of non-compliance required to be reported under <u>Government Auditing Standards</u>? 9. Are you satisfied we have a reasonable basis for expressing an opinion on the City's compliance with the compliance requirements applicable to major federal programs? 10. Are you satisfied we have obtained an adequate understanding of the design of internal controls, determined whether these controls have been implemented and assessed control risk? 11. Are you satisfied we have reduced the detection risk to a reasonable level? 12. Have all applicable items on the audit planning, questionnaires and audit program been completed and workpapers properly indexed and signed or initialed by those doing the work? 13. Have all significant unusual or unexpected balances or relationships noted during planning or the course of the audit been adequately investigated and documented? 14. Has the work of all assistants been thoroughly reviewed? 15. Have review notes been adequately resolved? 			

CITY City of Sample

June 30, 2016

INCHARGE REVIEW QUESTIONNAIRE

QUESTION		YES	NO	N/A
16.	Are you satisfied the planned level of risk material misstatement due to fraud or error did not increase based on the accumulated results of the audit procedures performed during fieldwork? (AU-C 240.34)			
17.	Has there been appropriate communication with other audit team members throughout the audit regarding information or conditions indicative of risks of material misstatement due to fraud or error?			
18.	Have you documented the success and/or failures of procedures performed based on the planned risk assessment in the items for next year section?			
19.	Have you discussed with City officials and prepared draft comments or memoranda regarding communication of the following to the City: <ul style="list-style-type: none"> a. Management suggestions? b. All significant deficiencies and material weaknesses in internal controls we observed? c. All immaterial items noted during our audit? d. Non-compliance with any statutory, regulatory or contractual requirements? e. Any instances of fraud or indications fraud may exist? f. Auditor's Reports on financial statements, compliance and internal controls? 			
20.	Has the audit report routing sheet: <ul style="list-style-type: none"> a. Been completed and signed off? b. Been completed for the report distribution section, including addresses for non-client report recipients? 			
21.	Has the news release draft been completed?			
22.	Has a list been prepared of all significant pending matters which must be cleared before issuing the report?			
23.	Has the Manager been informed of all pending matters?			
24.	Have required engagement evaluation reports been completed by the appropriate person(s)?			
25.	Are you satisfied all audit work complied with professional standards and office policies?			
26.	Have all electronic workpapers been properly stored on the network?			

CITY City of Sample

June 30, 2016

INCHARGE REVIEW QUESTIONNAIRE

QUESTION		YES	NO	N/A
<u>COMMENTS</u> (required for "No" answers):				
Incharge	_____			
Manager	_____			
Independent				
Reviewer	_____			

CITY City of Sample

June 30, 2016

MANAGER REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
A. General			
1. Have you reviewed the workpapers and do you concur with the conclusions of the incharge?			
2. Have all exceptions noted on the Incharge Review Questionnaire been resolved?			
3. Are you satisfied:			
a. The audit program was properly modified for identified problems and internal control weaknesses?			
b. Required supplemental information, if applicable, has been obtained and limited testing procedures have been performed?			
c. The judgments and conclusions reached are supported by documented evidence?			
d. Appropriate changes for the next audit, if any, have been summarized?			
e. All audit work conformed to the audit plan, scope and audit objective?			
f. Significant unusual or unexpected balances or relationships noted during planning or the course of the audit have been adequately investigated and documented?			
g. Nothing was noted that indicated an increased level of risk of material misstatement due to fraud or error?			
4. Do the workpapers include adequate documentation as to:			
a. Changes in accounting policies?			
b. Conformity with U.S. generally accepted accounting principles or a different basis of accounting, if appropriate?			
c. Conformity with U.S. generally accepted government auditing standards?			
d. Conformity with statutory, regulatory and contractual provisions?			
e. Adequacy of disclosure?			
f. Compliance with office policies?			
5. Have applicable questionnaires been completed?			
6. Have all applicable procedures been performed and signed off?			
7. Have all review comments been cleared with adequate documentation of disposition?			
8. Have required performance evaluations been completed?			
9. Have all electronic workpapers been properly stored on the network?			

CITY City of Sample

June 30, 2016

MANAGER REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
B. Financial Statements and Audit Report			
1. Are the financial statements adequately referenced to footnote disclosures?			
2. Are the dates of the financial statements correct?			
3. Are all material facts disclosed which are necessary to not make the financial statements misleading?			
4. Have all material and/or special or extraordinary subsequent events been evaluated and properly disclosed?			
5. Is there adequate documentation in the workpapers to support the footnotes?			
6. Do the footnotes clearly explain the facts?			
7. Is the nature of each financial statement clearly indicated by its title?			
8. Do the financial statements maintain a uniform manner of format, capitalization, headings and appearance in general within itself?			
9. Is our audit report addressed to the proper party?			
10. Does our opinion for each opinion unit properly state the responsibility we wish to assume?			
11. Has adequate audit work been performed to support the opinion on the financial statements we are rendering?			
12. Is the report dated in accordance with AU-C 700.41?			
13. Is any data in the footnotes that requires special mention, with respect to the date of our report, appropriately reflected in the date of our report?			
14. Is our opinion on the supplementary financial information proper and supported by our audit?			
15. Are disclosures in each opinion unit financial statements and notes to financial statements adequate and do they clearly communicate the facts?			
16. Have you performed final analytical procedures, including a comparison of the financial statements to the prior year?			
17. Are you satisfied the audit did not disclose any suspicions of fraud, violations of statutory, regulatory and contractual provisions or other illegal acts other than those noted in the statutory comments of the report.			
18. Have the following been discussed with appropriate City officials and arrangements been made to get responses, if appropriate:			
a. Management suggestions?			
b. All significant deficiencies and material weaknesses in internal control we observed?			

CITY City of Sample

June 30, 2016

MANAGER REVIEW QUESTIONNAIRE

QUESTION	YES	NO	N/A
<ul style="list-style-type: none"> c. All immaterial items? d. Non-compliance with any statutory, regulatory or contractual requirements? e. Any instances of fraud or indications fraud may exist? f. Auditor's Report? 			
19. Have you sent the draft financial statements to the City and received written approval of the financial statements?			
C. IAR on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards:			
1. Has adequate work been performed to support our statement on instances of non-compliance required to be reported under Government Auditing Standards?			
2. Have appropriate exceptions been noted for items of non-compliance?			
3. Has adequate audit work been performed to support:			
a. Our understanding of internal controls?			
b. The determination of whether these controls have been implemented?			
c. Our assessment of control risk?			
4. Have all significant deficiencies and material weaknesses been disclosed?			
D. IAR on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance:			
1. Has adequate audit work been performed to support the opinion we are giving on compliance with compliance requirements applicable to major federal programs?			
2. Have appropriate exceptions been noted for items of non-compliance?			
3. Has adequate audit work been performed to support:			
a. Our understanding of internal controls?			
b. The determination of whether these controls have been implemented?			
c. Our assessment of control risk?			
4. Have all significant deficiencies and material weaknesses been disclosed?			
E. Report Production			
1. Has the report routing sheet been completed?			

CITY City of Sample

June 30, 2016

INDEPENDENT REVIEWER QUESTIONNAIRE

QUESTION	YES	NO	N/A
1. Is the audit evidence and documentation for all significant unusual or unexpected balances or relationships noted during planning or the course of the audit adequate?			
2. Have you reviewed the audit conclusions on all material items in the financial statements?			
3. Have all review notes been adequately resolved?			
4. Have you reviewed and do you concur with the Incharge Review Questionnaire?			
5. Have you reviewed and do you concur with the Manager Review Questionnaire?			
6. Based on your review, are the financial statements fairly presented?			
7. For any significant unusual or unexpected balances or relationships noted in your review of the audit report that were not previously identified, has adequate audit evidence and documentation been obtained?			
8. Do the financial statements, supplementary information and the comments and recommendations appear to be materially correct?			
9. Is the required supplementary information (RSI) included, if applicable, and has it been evaluated for reasonableness?			
10. Is the auditor's report on financial statements appropriate, based on our audit and the financial statement presentation?			
11. Is the auditor's report on internal control over financial reporting and on compliance and other matters appropriate, based on our audit?			
12. Is the auditor's report on compliance for each major federal program and on internal control over compliance appropriate, based on our audit?			
13. Does the draft audit report comply with professional and office reporting standards?			
<u>COMMENTS</u> (required for "No" answers):			
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div>Independent Reviewer _____</div> <div>Date _____</div> </div>			